

# **PUBLIC DISCLOSURE**

October 14, 2014

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Boston Private Bank & Trust Company  
24811

10 Post Office Square  
Boston, Massachusetts 02109

**Division of Banks**  
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**Boston, Massachusetts 02118**

**Federal Deposit Insurance Corporation**  
**350 Fifth Avenue, Suite 1200**  
**New York, New York 10118**

<p><b>NOTE:</b> This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.*

*This document is an evaluation of the CRA performance of **Boston Private Bank & Trust Company (Boston Private or the Bank)**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **October 14, 2014**. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and in Appendix A to 12 CFR Part 345.*

# INSTITUTION'S CRA RATING

***INSTITUTION'S CRA RATING:***

**This institution is rated High Satisfactory by the Division**

**This institution is rated Satisfactory by the FDIC.**

An institution in this group has a good record of helping to meet the credit needs of its assessment areas (AAs), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

*The following table indicates the performance level of Boston Private Bank & Trust Company with respect to the Lending, Investment, and Service Tests.*

PERFORMANCE LEVELS	<u>BOSTON PRIVATE BANK &amp; TRUST COMPANY</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

\* Note: The Lending Test receives greater weight than the Investment and Service Tests when arriving at an overall rating.

## **Lending Test**

The Lending Test is rated “High Satisfactory.”

- The Bank’s lending levels reflect adequate responsiveness to AA credit needs.
- The Bank originated a substantial majority of its home mortgage and small business loans within the AAs.
- The geographic distribution of the Bank’s lending reflects good dispersion throughout the AAs.
- The distribution of the borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different sizes.
- The Bank is a leader in making community development (CD) loans.
- The Bank uses innovative and/or flexible lending practices to serve AA credit needs.

## **Investment Test**

The Investment Test is rated “High Satisfactory.”

- The Bank has a significant level of qualified community development investments and grants.
- The Bank exhibits good responsiveness to credit and community economic development needs.
- The Bank makes significant use of innovative and/or complex investments to support CD initiatives.

## **Service Test**

The Service Test is rated “High Satisfactory.”

- The Bank’s delivery systems are reasonably accessible to all portions of the institution’s AAs.
- The Bank’s opening and closing of branch offices has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.
- Services and business hours do not vary in a way that inconveniences certain portions of the AAs, particularly low- and moderate- geographies and/or individuals.
- The institution provides a relatively high level of CD services. Bank officers and staff members provided their financial expertise to help address community needs through their involvement in various community organizations. Bank management and employees also participated in educational seminars targeted toward low- and moderate-income families, borrowers, first-time homebuyers, as well as small businesses. The Bank also actively uses the Federal Home Loan Bank of Boston’s (FHLBB) services.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Boston Private Bank & Trust Company is a state-chartered, stock-owned bank headquartered in Boston, Massachusetts. The Bank is a subsidiary of Boston Private Financial Holdings, Inc. Through its multiple subsidiaries, the Bank offers investment, wealth, deposit, cash, and trust management services. Subsidiaries of the Bank include BPB Capital; BPB Securities Corporation; BPB Securities Corporation II; BPB-IMT & CO, LLP; LEROB LLC; RE Management Services LLC; and Ten Winthrop Properties;

Founded in 1987, Boston Private was established as a wealth management company to provide private banking, wealth advisory, and investment management services to the high net worth market place, selected institutions, key intermediaries, and private companies. In addition to wealth management, the Bank also focuses on affordable housing, first-time homebuyers, economic development, social services, community revitalization, and small business services. In May 2011, the Bank merged with three affiliated banks. These included Borel Private Bank & Trust Company (BPB&TC) in San Mateo, California; First Private Bank & Trust (FPB&T) in Encino, California; and Charter Private Bank, in Bellevue, Washington. Both FPB&T and BPB&TC's lending focus was commercial real estate, commercial and industrial, and construction and land development loans.

As of the evaluation date, Boston Private operates 23 full-service branches and a loan production office throughout Massachusetts (11 branches and 1 loan production office) and California (12). In Massachusetts, one branch is located in a low-income tract, one in a middle-income tract, and nine are located in upper-income tracts. The loan production office in Jamaica Plain is located in an upper-income census tract. In California, three branches are located in low-income tracts, one in a moderate-income tract, two in middle-income tracts, and six in upper-income tracts. Although the Bank maintained a presence in Washington State due to the Charter Private Bank acquisition, all four of the branches were opened in May 2011 and subsequently sold in May 2013 to Sterling Financial Corporation, Spokane, Washington.

During the evaluation period, the Bank opened one office in Massachusetts (upper-income tract), and two in California (one low- and one middle-income tract). Additionally, the Bank relocated two branches in California to nearby locations within the same upper-income census tracts.

As of June 30, 2014, the Bank's assets totaled \$6.2 billion, of which \$5.1 billion (82.3 percent) represent net loans. From March 31, 2011 to June 30, 2014, the Bank's assets, net loans, and total deposits increased significantly due to the mergers. The Bank's assets increased 82.4 percent from \$3.4 billion to \$6.2 billion.

As reflected in Table 1, Boston Private is primarily a residential real estate lender, as 50.4 percent of the loans are secured by one-to-four family or multifamily residential properties. Commercial loans, consisting of loans secured by nonfarm nonresidential properties and commercial and industrial loans, reflect the next highest percentage of the loan portfolio at 35.5 percent. Consumer, agricultural, and construction loans represent the remaining percentage of the loan portfolio.

<b>Table 1 – Loan Portfolio Distribution as of June 30, 2014</b>		
<b>Loan Category</b>	<b>Dollar Volume of Loans \$ ('000s)</b>	<b>Percent of Total Loans (%)</b>
1-4 Family Residential Construction Loans	67,345	1.3
Other Construction Loans and All Land Development and Other Land Loans	81,702	1.6
Secured by Farmland (including Farm Residential and Other Improvements)	1,501	0.1
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	142,892	2.8
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by 1st Liens	2,079,864	40.7
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Jr Liens	27,700	0.5
Secured by Multifamily (5 or more) Residential Properties	325,087	6.4
Loans Secured by Owner-Occupied Nonfarm Nonresidential Properties	220,058	4.3
Loans Secured by Other Nonfarm Nonresidential Properties	1,186,190	23.2
Commercial and Industrial Loans	409,088	8.0
Consumer Loans	132,506	2.6
Obligations (other than securities and leases) of states and political subdivisions	363,266	7.1
Other Loans	71,693	1.4
<b>Total Loans</b>	<b>5,108,892</b>	<b>100.0</b>

*Source: Consolidated Report of Condition and Income as of June 30, 2014*

The Bank also sells mortgage loans in the secondary market. Since June 30, 2011, the Bank sold 1,289 residential loans totaling approximately \$613 million. The Bank purchased four home mortgage loans in 2011 and six in 2012 from Habitat for Humanity/East Bay Silicon Valley (HabitatEBSV). All purchased loans were to low- and moderate-income borrowers. This was a first-time initiative for the Bank and for HabitatEBSV.

The Bank was rated “Outstanding” at the prior CRA evaluation dated June 13, 2011, conducted by the FDIC and the Division. There are no significant financial or legal impediments that would limit the Bank’s ability to help meet the credit needs of its assessment area.

### **Description of Assessment Areas**

The CRA requires financial institutions to define an AA within which its CRA performance will be evaluated. The AAs as currently defined meets the technical requirements of the CRA regulation since they: (1) consist of one or more political subdivisions, (2) include the geographies where the Bank has its main office, branches, and deposit-taking automated teller machines (ATMs), as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consist of whole CTs, (4) do not extend substantially beyond state boundaries, (5) do not reflect illegal discrimination, and (6) do not arbitrarily exclude low- and moderate-income areas.

The Bank designated four AAs throughout 11 counties within Massachusetts, California, and Washington. The Bank’s AAs consists of two Consolidated Statistical Areas (CSAs), one Metropolitan Statistical Area (MSA), and one Metropolitan Division (MD). One AA is in Massachusetts, two are in California (to be referred to as the San Francisco AA and the Southern California AA), and one in Washington.



Since the prior CRA evaluation, Boston Private significantly adjusted its AA designations. The Bank did not add any additional towns or cities to the Massachusetts AA. However, in May 2011, the Bank expanded its operations into California and Washington. In California, the Southern California AA included portions of Los Angeles and Ventura Counties. The San Francisco AA included full counties of San Francisco, San Mateo, and Santa Clara. The Washington AA included all of King County. In May 2013, the Bank ceased operations in Washington and sold all of its branches in the Washington AA. In the fall of 2013, the Bank expanded its Southern California AA to include full counties of Los Angeles and Ventura. The Bank expanded the Southern California AA to increase mortgage, targeted small business, and community development lending opportunities. With this expansion, the percentage of low- and moderate-income census tracts in this AA increased from 37 percent to 39 percent.

In 2014, the Bank expanded its San Francisco AA to include Alameda County. Management anticipated that the expansion would create new home mortgage lending opportunities and increase community development and targeted small business lending opportunities given existing relationships with key nonprofits and affordable housing developers. With this expansion, the percentage of low- and moderate-income census tracts also increased marginally from 32 percent to 34 percent.

The evaluation describes demographics for each individual AA in subsequent sections. The following sections provide relevant information for all four AAs combined, hereafter referred to as the combined AA.

### ***Demographic Data***

Table 2 provides relevant demographic information for analyzing the Bank's 2012 performance in the combined AA, as it includes information from the Washington AA.

<b><i>Table 2 – Combined AA Demographics (includes WA AA)</i></b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (CTs)	4,680	9.8	25.2	31.9	31.8	1.3
Population by Geography	20,373,93	8.8	25.6	33.9	31.5	0.2
Owner-Occupied Housing by Geography	7,627,884	3.1	16.1	37.0	43.8	0.0
Family Distribution by Income Level	4,598,952	23.6	16.5	18.8	41.1	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,846,692	14.4	35.8	32.6	17.2	0.0
Median Family Income (MFI)		\$83,915	Median Housing Value Unemployment Rate		\$570,910 7.9%	
FFIEC Adjusted MFI 2012**		\$80,491				
Families Below Poverty Level		9.6%				

*Source: 2010 U.S. Census*

*\*The NA category consists of geographies that have not been assigned an income classification.*

*\*\* Federal Financial Institution Examination Council (FFIEC)*

Table 3 provides relevant demographic information for analyzing the Bank's 2013 performance in the combined AA, as it excludes information from the Washington AA. The Bank discontinued operating in the Washington AA in 2013.

<b>Table 3 – Combined AA Demographics – (excludes WA AA)</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
Geographies (CTs)	4,282	10.3	25.8	30.8	31.7	1.4
Population by Geography	18,442,683	9.2	26.4	32.7	31.5	0.2
Owner-Occupied Housing by Geography	6,792,320	3.2	16.6	35.5	44.7	0.0
Family Distribution by Income Level	4,142,923	24.0	16.5	18.5	41.0	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,678,288	15.2	36.6	31.2	17.0	0.0
Median Family Income (MFI) FFIEC Adjusted MFI for 2013 Families Below Poverty Level		\$83,127 \$76,784 9.9%	Median Housing Value Unemployment Rate		\$587,816 8.1%	

*Source: 2010 U.S. Census*

Additionally, the United States (U.S.) Office of Management and Budget revised the delineation of MSAs and MDs in February 2013, which slightly affected demographic information for 2014. Although these revisions decreased the distribution of low- and moderate-income tracts in the Massachusetts AA and the San Francisco AA, the changes were negligible and do not affect conclusions or ratings in this evaluation. The demographic information in Tables 2 and 3 reflect MSA and MD delineations established in December 2009.

Tables 2 and 3 illustrate the distribution of census tracts and population by census tract income level, as well as families by family income level. Each MSA and MD has a median family income (MFI) based upon the most recent U.S. Census. This MFI is used to determine the income level for census tracts within an MSA or MD. The FFIEC calculates an annually updated MFI to reflect inflation and other economic events since the most recent U.S. Census. The evaluation uses FFIEC-updated MFIs to determine borrower income levels in the Borrower Profile section of the Lending Test. The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI  
Moderate-Income: At least 50 percent but less than 80 percent of MFI  
Middle-Income: At Least 80 percent but less than 120 percent of MFI  
Upper-Income: 120 percent or greater of MFI

### ***Census Tract Income Levels***

The Bank's combined AA in 2012 consists of 4,680 census tracts, of which 460 are low-income (9.8 percent), 1,177 are moderate-income (25.2 percent), 1,494 are middle-income (31.9 percent), 1,488 are upper-income (31.8 percent), and 61 are NA income (1.3 percent).

Massachusetts contains 81 (17.6 percent) of the low-income tracts in the combined AA. The City of Boston contains 48, while the remaining tracts are spread among nine other communities. Massachusetts contains 152 (12.9 percent) of the combined AA's moderate-income tracts in 2012. Approximately half of these tracts are in Boston (48), Lowell (16), and Lynn (10), while the remaining moderate-income tracts are spread among 24 other communities.

California contains 359 (78.1 percent) of the combined AA's low-income tracts, 275 of which are located in Los Angeles (155), Oakland (47), San Francisco (39), and San Jose (34). The remaining low-income tracts in California are spread among 17 other communities. The

expansion into Alameda County and the full counties of Los Angeles and Ventura resulted in 103 additional low-income tracts.

Of all moderate-income tracts in the AA, 954 (81.1 percent) are located in California. Over half of these tracts are in Los Angeles (222), San Fernando Valley (120), South Gate-East Los Angeles (94), and San Jose (78). The remaining moderate-income tracts are spread among 31 other communities. The expansion into Alameda County and the full counties of Los Angeles and Ventura resulted in 407 additional moderate-income tracts.

The Washington AA contained 20 (4.3 percent) low-income tracts and 71 (6.0 percent) moderate-income tracts before the Bank discontinued operating in Washington in 2013.

There are also 61 census tracts in the combined AA with no income designation. The overwhelming majority of these tracts are located in California. These areas provide no opportunity for loan originations or purchases.

### ***Median Family Income Levels***

The combined AA has a total population of 20,373,932 and 4,598,952 families. Of all families in the combined AA, 23.6 percent are low-income and 16.5 percent are moderate-income. Of the families living in the combined AA, 9.6 percent are below the poverty level, which is a subset of low-income families. Considering that the combined AA has an average FFIEC-adjusted MFI of \$80,491 in 2012 and \$76,784 in 2013, the low-income threshold would be \$40,245 and \$38,392. The poverty level represents 50 percent of the low-income threshold. Given the median housing value of \$570,910 based on the 2010 U.S. Census data, a low-income family, particularly one with income below the poverty threshold, would likely have difficulty qualifying for a home loan using traditional underwriting standards.

### ***Housing***

The combined AA consists of 7,627,884 total housing units, of which 49.6 percent are owner-occupied, 44.0 percent are occupied rental units, and 6.4 percent are vacant units. Of the 3,786,131 owner-occupied units, 8.5 percent are located in low-income tracts and 23.6 percent are located in moderate-income tracts.

### ***Business Demographics***

According to Dun & Bradstreet (D&B) data, there were 2,122,596 and 1,705,249 businesses within the combined AA during 2012 and 2013, respectively. The percentage of businesses located in low- and moderate-income census tracts and the percentage of businesses reporting gross annual revenues (GARs) of \$1.0 million or less remained relatively constant.

<b>Table 4 – Combined AA Nonfarm Business Demographics</b>				
<b>Business Demographics</b>	<b>2012</b>		<b>2013</b>	
<i>By CT</i>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	163,512	7.7	137,354	8.1
<b>Moderate</b>	377,611	17.8	306,053	17.9
<b>Middle</b>	665,038	31.3	508,545	29.8
<b>Upper</b>	903,247	42.6	741,404	43.5
<b>NA</b>	13,188	0.6	11,893	0.7
<b>Total</b>	<b>2,122,596</b>	<b>100.0</b>	<b>1,705,249</b>	<b>100.0</b>
<i>By Annual Revenue</i>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$1 million</b>	1,523,204	71.8	1,231,370	72.2
<b>&gt; \$1 million</b>	93,876	4.4	82,365	4.8
<b>Revenue Unknown</b>	505,516	23.8	391,514	23.0
<b>Total</b>	<b>2,122,596</b>	<b>100.0</b>	<b>1,705,249</b>	<b>100.0</b>

*Source: 2012 and 2013 D&B data*

The highest proportion (45.7 percent) of these business establishments are engaged in the service industry. Businesses involved in non-classifiable establishments (15.7 percent) and retail trade (11.7 percent) make up a significant portion of the remaining businesses. In terms of employees, approximately 64.8 percent of the combined AA's businesses employ four or fewer people.

### ***Unemployment***

According to the Bureau of Labor Statistics, the counties within the combined AA maintained unemployment rates as of August 2014 ranging from a low of 4.3 percent in San Mateo, California to a high of 6.8 percent in Los Angeles, California.

### ***Competition and High Cost Areas***

The Bank operates in high-cost marketplaces and faces strong competition from other financial institutions and mortgage companies that originate and purchase loans within the AAs. Each assessment area maintains limited stock of housing accessible to low- and moderate-income buyers. Many lenders compete heavily with the Bank, including regulated financial institutions and nonprofit and quasi-government agencies that are not governed by banking regulators. Many other financial institutions are headquartered in these areas, including larger regional and national banks, mid- and smaller-sized banks, mortgage companies, credit unions, and other entities. Some of the larger-sized institutions competing with the Bank include Wells Fargo Bank NA, JP Morgan Chase Bank NA, Bank of America NA, Chase Bank NA, and CitiBank NA. The 2012 aggregate data shows that 1,336 lenders extended 1.1 million HMDA reportable residential loans within the combined AA. Boston Private ranked 120<sup>th</sup> overall, capturing 0.12 percent of the market. The five leading institutions collectively accounted for 36.9 percent of the total market share.

## *Community Contacts*

As part of the CRA evaluation process, examiners contact third parties within the community to assist in assessing the credit and community development needs of the Bank's AAs. Relevant information from the contacts assists in determining whether local financial institutions are responsive to the credit needs of the community, and what community development opportunities, if any, are available.

Examiners utilized seven community contacts in conjunction with this evaluation. Three contacts were based in Massachusetts, three in California, and one in Washington.

### *Massachusetts*

A contact was performed with a community-based, nonprofit, multi-service agency that strives to improve the quality of life for residents of Boston and eastern Massachusetts through innovative programs in home ownership, education, and community service. The contact stated that flexible underwriting guidelines and programs for borrowers maintaining marginal credit history are needed. Furthermore, the contact indicated that opportunities exist for financial education, such as seminars focused on first-time homebuyers and credit counseling. Assessment area needs include many different retail loan products and home financing programs for the purchase, construction, improvement, or refinance of a residence.

A second contact, dedicated to helping low- and moderate-income individuals improve the quality of lives and achieve self-sufficiency, indicated that the greatest need is financial literacy, including how to establish a checking account and budgeting.

A community development organization based in Medford stressed that the greatest need in the area is affordable housing, as the majority of new developments are luxury condominiums. The contact also mentioned that local non-profit organizations could use additional funding in the form of grants, specifically organizations providing services for senior citizens.

### *California*

Three California-based community organizations were contacted (two serving southern California and one serving northern California). Two contacts were with small business development centers. The contacts identified an increased demand for startup businesses financing and for education and technical assistance for businesses that have been in operation for less than three years. Additionally, both contacts stated that it would be beneficial if financial institutions offered small dollar loan programs. The third contact, an affordable housing organization that provides housing options to low- and moderate-income families and individuals believed that additional capital dollars were needed for new construction as the supply of new construction for affordable housing being completed by the city has been decreasing.

### *Washington*

A women's business center that provides entrepreneurs with one-on-one counseling and assistance in preparing Certified Development Financial Institutions (CDFIs) loan application packages provided community information. The contact stated that financial institutions should offer more loans and grants, but technical assistance would also be beneficial.

### ***Assessment Area Credit Needs***

The combined AA has multiple credit needs. Residents need a variety of retail loan products to meet personal needs, and an array of home financing programs for the purchase, construction, improvement, or refinance of a residence. The area's business base also requires numerous commercial credit options for various financing purposes. Community contacts identified the accessibility and sustainability of affordable housing as a primary need throughout the combined AA. This indicates a need for flexible and innovative loan products designed for first-time and low- and moderate-income homebuyers.

### **SCOPE OF EXAMINATION**

The evaluation includes an overall rating and individual ratings for each state in which the Bank maintains branches. The overall ratings assigned for the Lending, Investment, and Service Tests are noted in the matrix on page 2 of this evaluation.

The Bank's lending performance was reviewed using Large Bank Examination Procedures. Per the requirements of CRA, the Bank's performance under the Lending Test receives more weight than its performance under the Investment and Service Tests when arriving at an overall rating. Examiners evaluated the Bank's CRA performance based on its currently designated AAs.

Examiners analyzed the following product lines within the noted timeframes.

- Residential mortgages originated and reported by Boston Private from January 1, 2012 through June 30, 2014. A home mortgage loan is a home purchase, home improvement, or refinancing of a dwelling-secured loan. Home mortgage loans were reported pursuant to the Home Mortgage Disclosure Act (HMDA). Data was obtained from the Bank's HMDA Loan Application Registers (LARs).
- Small business loans originated and recorded by Boston Private from January 1, 2012 through December 31, 2013. Small business loans for purposes of this evaluation include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. Information concerning small business lending was derived from the Small Business Loan Registers maintained by the Bank pursuant to CRA data reporting requirements. Based on concerns regarding the accuracy of small business loan registers, a sample of small business loans was selected, verified, and used for purposes of this evaluation. Examiners utilized sampling procedures with a 90 percent confidence level and a 15 percent precision level. The sample included 41 of the 446 loans reported for 2012 and 40 of the 399 loans reported by the Bank for 2013. While sampling does not reflect the Bank's full lending activity, the precision factor associated with the sample size indicates that conclusions are accurate.

Additionally, although Table 1 illustrates some agricultural lending, the Bank did not originate, purchase, or acquire any of these loans since the previous evaluation. Agricultural lending is not a business focus for the Bank and was not reviewed. The review did not include an analysis of consumer loans, as this represents a minimal portion of the Bank's lending activity.

During the evaluation period, the Bank originated 3,015 residential mortgages totaling \$2.5 billion, significantly exceeding small business loans of 845 totaling \$303.7 million. The Bank's loan portfolio has a greater distribution of residential real estate loans at 50.4 percent than

commercial loans at 35.5 percent. Considering the loan portfolio distribution and lending activity during the evaluation period, residential lending received more weight when arriving at overall conclusions pursuant to the Lending Test criteria.

Examiners compared the Bank's home mortgage and small business lending activity to applicable demographic data and aggregate lending data for 2012, which is the most recent year for which aggregate data was available. Examiners also analyzed lending data from 2013 and the first six months of 2014 (residential lending only) to identify any significant trends and compare the Bank's data to applicable demographic data. Demographic data was obtained from the 2010 U.S. Census and 2012 and 2013 D&B data.

Market share reports and aggregate data for home mortgage loans presented in this evaluation include originated and purchased loans, as this data set represents the market for residential mortgage loans for financial institutions that are subject to HMDA reporting requirements. This would exclude financial institutions that do not have an office in an MSA and financial institutions that do not meet the minimum asset size threshold for HMDA reporting. The Bank does not routinely purchase loans from other financial institutions, but occasionally will purchase loans from nonprofit organizations. Market share and aggregate data for small business loans include lending from large banks that are required to collect and report the data, or smaller institutions that opt to collect and report; therefore, many smaller financial institutions are not included in the aggregate data. Small business market share reports are presented at the county level; therefore, ranks assigned reflect all activity within the counties in which the Bank designated at least a portion of its assessment area, unless otherwise noted.

The CRA evaluation also includes community development loans, innovative and/or flexible loan programs, qualified investments and donations, and services for the period of June 14, 2011 through October 14, 2014. Qualified equity investments and deposits held by the Bank during the evaluation period were also included regardless of investment date. The investments were valued at the September 30, 2014, book value.

Examiners weighed the lending performance within Massachusetts greater than the Bank's performance within California and Washington given the larger asset base. Examiners conducted full-scope reviews for each AA.

Table 5 illustrates the name, scope of review, and the distribution of Boston Private's branches and ATMs (by number and percent) for each AA. Table 6 depicts the respective percentages by assets, deposits, and the loan-to-deposit ratio for each AA. Table 6 does not include the Washington AA as the percentages were as of June 30, 2014, and the Bank no longer operated in this area at that time.

<b>Table 5 – AAs by Scope and Branch Distribution</b>					
<b>Breakdown of AAs by State</b>	<b>Scope</b>	<b>Branches</b>		<b>ATMs</b>	
<b>Massachusetts:</b>	-	#	%	#	%
Boston-Cambridge-Newton, MA-NH MSA (Massachusetts AA)	Full	11	40.8	16	59.3
<b>California:</b>					
San Jose-San Francisco-Oakland, CA CSA (San Francisco AA)	Full	6	22.2	6	22.2
Los Angeles-Long Beach, CA CSA (Southern California AA)	Full	6	22.2	5	18.5
Total California	-	12	44.4	11	40.7
<b>Washington:</b>					
Seattle-Tacoma-Bellevue, WA MSA (Washington AA)	Full	4*	14.8	0	0.0
<b>Combined:</b>					
<b>Total CA, MA, and WA (Combined AA)</b>	-	<b>27</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>

Source: Internal Bank records as of October 14, 2014

\*Branches closed on May 9, 2013.

<b>Table 6 – Assets, Deposits, and Loan-to-Deposit Ratio by AA</b>					
<b>Market</b>	<b>Assets (billion)</b>	<b>Percent of Assets by AA</b>	<b>Deposits (billion)</b>	<b>Percent of Deposits by AA</b>	<b>Loan-to- Deposit Ratio (%)</b>
Massachusetts	\$3.97	64.0	\$3.40	68.0	87.0
San Francisco	\$1.36	22.0	\$1.17	23.3	110.7
Southern California	\$0.87	14.0	\$0.43	8.7	197.3
<b>Total Bank</b>	<b>\$6.20</b>	<b>100.0</b>	<b>\$5.00</b>	<b>100.0</b>	<b>102.1</b>

Source: As of June 30, 2014

Although California contains the largest share of branches, Massachusetts contains the majority of Bank assets and deposits.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The Lending Test evaluates the institution's record of helping to meet the credit needs of its AAs by considering an institution's home mortgage, small business, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the AAs; 3) the geographic distribution of loans; 4) the distribution of loans based on characteristics; 5) community development lending; and 6) the use of innovative or flexible lending practices.

The Bank's overall Lending Test performance is rated High Satisfactory. The sections below discuss the Bank's performance in the combined AA under each criterion.

#### Lending Activity

Boston Private's lending levels reflect adequate responsiveness to AA credit needs. The Bank ranked 120<sup>th</sup> with 0.1 percent of the market in the combined AA in 2012; however, these figures consider loan activity in all four AAs, and 2012 represents the Bank's first year of operations in three of these AAs.<sup>1</sup> Further, each area contains a competitive arena of significantly larger institutions that operate nationwide. Specifically, the top five lenders in 2012 collectively captured 36.9 percent of the mortgage market. As illustrated by Tables 7 and 8, which provide a more detailed picture of loan activity within the four AAs by number and dollar volume, a significant majority of 2012 lending activity occurred in the Massachusetts AA.

**Table 7 – Home Mortgage Loan Distribution by Number and Dollar in Individual AAs**

AA	2012 (#)/\$(‘000s)	2013 (#)/\$(‘000s)	Q1Q2 2014 (#)/\$(‘000s)	Total Review Period (#)/\$(‘000s)	Total %/\$ (‘000s) of Combined AA
Massachusetts AA	821/\$493,627	663/\$437,729	177/\$136,527	1,661/\$1,067,883	64.4%/49.9%
San Francisco AA	298/\$294,256	236/\$246,228	64/\$64,714	598/\$605,198	23.2%/28.3%
Southern California AA	121/\$214,293	118/\$150,389	38/\$49,117	277/\$413,799	10.7%/19.3%
Washington AA*	43/\$53,247	0/\$0	0/\$0	43/\$53,247	1.7%/2.5%
<b>Total All Loans</b>	<b>1,283/\$1,055,423</b>	<b>1,017/\$834,346</b>	<b>279/\$250,358</b>	<b>2,579/\$2,140,127</b>	<b>100.0%</b>

Source: 2012, 2013, and Q1Q2 2014 HMDA LARs

\*All branches in this AA were sold on May 9, 2013; therefore, only 2012 HMDA and small business loans from this AA were analyzed and presented in this performance evaluation.

The Bank's volume of residential lending decreased from 1,283 in 2012 to 1,017 in 2013. This decline is due in part to the rising interest rate environment nationwide that affected the number of refinance loans. A similar decline occurred during the first six months of 2014. The Bank originated 651 refinance loans in 2012 compared to 414 loans in 2013. The number of home purchase loans remained steady at 590 in 2012 and 577 in 2013. The Bank's active participation in first-time homebuyer and soft second mortgage programs has generated a substantial number of home purchase loans.

<sup>1</sup> Market share comparisons represent a reasonable proxy for the lending level performance of the bank as a whole. If an institution has a substantial market share in relation to its size and lending capability, it is more likely fulfilling AA credit needs.

<b>Table 8 – Small Business Loan Distribution by Number and Dollar in Individual AAs</b>				
<b>AA</b>	<b>2012 (#)/\$ ('000s)</b>	<b>2013 (#)/\$ ('000s)</b>	<b>Total Review Period (#)/\$ ('000s)</b>	<b>Total %/\$ of Combined AA</b>
Massachusetts AA	23/\$8,365	24/\$8,110	47/\$16,475	63.5%/58.9%
San Francisco AA	12/\$4,675	11/\$5,333	23/\$10,008	31.1%/35.8%
Southern California AA	1/\$100	3/\$1,400	4/\$1,500	5.4%/5.3%
Washington AA*	0/\$0	0/\$0	0/\$0	0.0%
<b>Total All Loans</b>	<b>36/\$13,140</b>	<b>38/\$14,843</b>	<b>74/\$27,983</b>	<b>100.0%</b>

Source: Bank Data – Small Business Loan Sample

\*As the Bank's operations, including the loans were sold in May 2013, files were not available for sampling.

Of the small business loans sampled, the number of loans extended in the assessment area remained relatively consistent from 2012 to 2013. As noted previously, the Bank made 446 total small business loans in 2012 and 399 in 2013; however, the evaluation is based on a sample of small business loans.

### AA Concentration

Discussion of the AA lending concentration is limited to this section of the evaluation. Table 9 depicts the Bank's lending distribution based on loan category within the combined AA.

Boston Private originated a substantial majority of its home mortgage and small business loans inside the combined AA. Specifically, the Bank originated 85.7 percent by number and 84.9 percent by dollar volume of all loans inside the combined AA.

<b>Table 9 – Combined AA Distribution of Loans Inside and Outside by Loan Category</b>										
<b>Loan Category</b>	<b>Number of Loans</b>					<b>Dollar Volume of Loans</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total #</b>	<b>Inside</b>		<b>Outside</b>		<b>Total \$ ('000s)</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$ ('000s)</b>	<b>%</b>	<b>\$ ('000s)</b>	<b>%</b>	
<b>Home Mortgage</b>										
2012	1,283	86.4	202	13.6	1,485	1,055,423	87.6	150,063	12.4	1,205,486
2013	1,017	84.6	185	15.4	1,202	834,346	82.5	176,886	17.5	1,011,232
Q1Q2 2014	279	85.1	49	14.9	328	250,358	81.4	57,165	18.6	307,523
<b>Subtotal</b>	<b>2,579</b>	<b>85.5</b>	<b>436</b>	<b>14.5</b>	<b>3,015</b>	<b>2,140,127</b>	<b>84.8</b>	<b>384,114</b>	<b>15.2</b>	<b>2,524,241</b>
<b>Small Business</b>										
2012	36	87.8	5	12.2	41	13,140	90.7	1,350	9.3	14,490
2013	38	95.0	2	5.0	40	14,843	95.2	749	4.8	15,592
<b>Subtotal</b>	<b>74</b>	<b>91.4</b>	<b>7</b>	<b>8.6</b>	<b>81</b>	<b>27,983</b>	<b>93.0</b>	<b>2,099</b>	<b>7.0</b>	<b>30,082</b>
<b>Total</b>	<b>2,653</b>	<b>85.7</b>	<b>443</b>	<b>14.3</b>	<b>3,096</b>	<b>2,168,110</b>	<b>84.9</b>	<b>386,213</b>	<b>15.1</b>	<b>2,554,323</b>

Source: 2012, 2013, and Q1Q2 2014 HMDA LARs and Bank Data

## Geographic Distribution

The geographic distribution of the Bank's loan products reflects good dispersion throughout the combined AA. Tables 10 and 11 display the geographic distribution of Boston Private's home mortgage and small business loans originated within the combined AA.

### *Home Mortgage Loans*

The Bank achieved good dispersion of home mortgage loans throughout the assessment area, particularly in low- and moderate-income census tracts, when compared to demographics and aggregate lending data. Refer to Table 10 for specific information concerning the distribution of home mortgage loans by census tract income level.

<b>Table 10 – Combined AA</b> <b>Home Mortgage Loans by Census Tract Income Level</b>							
Year	Census Tract Income Level	AA Owner Occupied Housing Units	HMDA Aggregate Lending	Bank Lending		Dollar Volume of Loans \$(000s)	
		% of #	% of #	#	%	\$	%
2012	Low	3.1	2.5	59	4.6	30,469	2.9
	Moderate	16.1	12.6	110	8.6	48,572	4.6
	Middle	37.0	34.5	270	21.0	164,018	15.5
	Upper	43.8	50.4	844	65.8	812,364	77.0
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>1,283</b>	<b>100.0</b>	<b>1,055,423</b>	<b>100.0</b>
2013	Low	3.2		50	4.9	31,330	3.8
	Moderate	16.6		131	12.9	48,632	5.8
	Middle	35.5		192	18.9	101,768	12.2
	Upper	44.7		644	63.3	652,616	78.2
	<b>Total</b>	<b>100.0</b>		<b>1,017</b>	<b>100.0</b>	<b>834,346</b>	<b>100.0</b>
Q1Q2 2014	Low	3.2		17	6.1	5,950	2.4
	Moderate	16.0		34	12.2	12,656	5.1
	Middle	35.4		57	20.4	44,937	17.9
	Upper	45.4		171	61.3	186,815	74.6
	<b>Total</b>	<b>100.0</b>		<b>279</b>	<b>100.0</b>	<b>250,358</b>	<b>100.0</b>

Source: 2012, 2013, and Q1Q2 2014 HMDA LARs; 2012 HMDA Aggregate Data; and 2010 U.S. Census data.

As shown in Table 10, the Bank's lending in the area's low-income tracts during 2012 exceeded the percentage of owner-occupied housing units and the aggregate performance. Boston Private's lending in the moderate-income tracts and was less than the share of owner-occupied units and aggregate lending in the moderate-income tracts. This performance is mainly driven by the activity in the Massachusetts AA, as 138 (81.7 percent) of the 169 loans extended in low- and moderate-income census tracts in 2012 were in the Massachusetts AA, followed by 23 (13.6 percent) in the San Francisco AA and 8 (4.7) in the Southern California AA. Given the Boston Private's recent entry into the California market and the high share of low- and moderate-income tracts in the California AAs, it's expected that the Bank's performance would trail aggregate lending in 2012.

Market rank data for 2012 further supports the Bank's performance is better in the low-income tracts than in the moderate-income tracts. The Bank ranked 74<sup>th</sup> in lending within the low-income tracts and 142<sup>nd</sup> in moderate-income tracts. In both areas, the leading lender was Wells

Fargo. The Bank's ranking in the low-income tracts exceeded its overall market ranking of 120<sup>th</sup>, but its ranking in moderate-income tracts trailed the overall ranking.

HMDA lending for 2013 revealed a positive trend, as the Bank's percentage of lending within the low- and moderate-income census tracts increased. Despite this increase, the percentage of lending within the moderate-income tracts was still less than demographic data. The 2013 increase is attributable to the Bank extending a slightly greater percentage of loans in the California AAs. Specifically, 79.6 percent of the lending was in the Massachusetts AA, 14.9 percent in the San Francisco AA, and 5.5 percent in the Southern California AA.

Although the Bank's lending in moderate-income tracts did not compare favorably to aggregate or demographic data, other factors highlight Boston Private's responsiveness to key credit needs in these geographies. First, Boston Private commenced operations in the California market in May 2011, and 954 (81.1 percent) of the moderate-income tracts in the combined AA are located in California. Second, the addition of Alameda County to the San Francisco AA and the full counties of Los Angeles and Ventura to the Southern California AA dramatically increased the number of moderate-income tracts. Specifically, the number of moderate-income tracts increased from 152 to 236 in the San Francisco AA. The addition of the full counties of Los Angeles and Ventura nearly doubled moderate-income tracts in the Southern California AA from 395 to 718. These expansions occurred late in the evaluation period. Furthermore, the Bank's presence in the moderate-income census tracts is limited, as the Bank only maintains one branch in a moderate-income census tract (Burbank, California).

Despite these factors, Boston Private proved particularly successful in making home purchase loans in low- and moderate-income census tracts. During 2012, Boston Private extended 6.4 and 13.7 percent of home purchase loans in low- and moderate-income census tracts, respectively. The distribution of home purchase loans in low-income census tracts significantly exceeded demographic and aggregate data of 3.1 and 3.9 percent in 2012. Conversely, the distribution of home purchase loans in moderate-income census tracts is below both demographic and aggregate data comparisons of 16.1 and 17.1 percent; however, 2013 data revealed an increasing trend. Specifically, 2013 data revealed that Boston Private extended 17.9 percent of home purchase loans in moderate-income census tracts, exceeding demographic data at 16.1 percent. The increase resulted from the number of home purchase loans within the San Francisco AA more than doubling (four to nine) from 2012 performance.

### *Small Business Loans*

The Bank achieved adequate dispersion of its small business loans throughout the assessment area. Refer to Table 11 for specific information concerning the distribution of small business loans among the census tract income categories.

<b>Table 11 – Combined AA Small Business Loans by Census Tract Income Level</b>							
<b>Year</b>	<b>Census Tract Income Level</b>	<b>AA Businesses</b>	<b>Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$(000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	Low	7.7	6.8	2	5.6	1,075	8.2
	Moderate	17.8	16.7	4	11.1	2,260	17.2
	Middle	31.3	31.3	12	33.3	3,825	29.1
	Upper	42.6	44.7	18	50.0	5,980	45.5
	Income NA	0.6	0.5				
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>13,140</b>	<b>100.0</b>
2013	Low	8.1		2	5.3	863	5.8
	Moderate	17.9		6	15.8	2,525	17.0
	Middle	29.8		11	28.9	5,150	34.7
	Upper	43.5		19	50.0	6,305	42.5
	Income NA	0.7					
	<b>Total</b>	<b>100.0</b>		<b>38</b>	<b>100.0</b>	<b>14,843</b>	<b>100.0</b>

Source: Bank Data, 2012 CRA Aggregate Data, and 2010 U.S. Census data.

The Bank's 2012 lending within the low- and moderate-income census tracts is less than aggregate and the percentage of businesses operating in those tracts. As explained in the Massachusetts AA analysis, the Bank did not extend any of the sampled small business loans in the Massachusetts AA's low-income tracts. Additionally, the limited number of loans in the moderate-income tracts may be due to the expanded AAs, the Bank's recent entry into these areas, and a limited branch presence in these tracts. Furthermore, the addition of just one loan in a low- or moderate-income tract would put the Bank's distribution near or above aggregate lending. The Bank increased its lending in moderate-income tracts in 2013; however, the overall percentage of loans in low-income tracts decreased slightly.

## Borrower Profile

The distribution of loans was reviewed to determine the extent to which the Bank has addressed the credit needs of area residents and small businesses. The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size. The borrower distribution of home mortgage loans was good, but the distribution of small business loans was poor. The following sections detail this analysis by loan type.

### Home Mortgage Loans

The Bank's lending reflects a good penetration of loans to borrowers of different income levels. Refer to Table 12 for information concerning the distribution of home mortgage loans by borrower income.

<b>Table 12 – Combined AA</b> <b>Home Mortgage Loans by Borrower Income Level</b>							
HMDA Year	Borrower Income Level	AA Families	HMDA Aggregate Lending	Number of Loans		Dollar Volume of Loans \$ (000s)	
		% of #	% of #	#	%	\$	%
2012	Low	23.6	4.3	65	5.1	6,296	0.6
	Moderate	16.5	12.1	137	10.7	20,435	1.9
	Middle	18.8	20.6	121	9.4	38,869	3.7
	Upper	41.1	52.6	912	71.1	878,703	83.3
	Income NA	0.0	10.4	48	3.7	111,120	10.5
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>1,283</b>	<b>100.0</b>	<b>1,055,423</b>	<b>100.0</b>
2013	Low	24.0		49	4.8	4,567	0.6
	Moderate	16.5		133	13.1	19,410	2.3
	Middle	18.5		92	9.0	28,951	3.5
	Upper	41.0		714	70.2	699,422	83.8
	Income NA	0.0		29	2.9	81,996	9.8
	<b>Total</b>	<b>100.0</b>		<b>1,017</b>	<b>100.0</b>	<b>834,346</b>	<b>100.0</b>
Q1Q2 2014	Low	23.9		8	2.9	774	0.3
	Moderate	16.4		46	16.5	8,159	3.3
	Middle	18.4		27	9.7	7,510	3.0
	Upper	41.3		187	67.0	205,047	81.9
	Income NA	0.0		11	3.9	28,868	11.5
	<b>Total</b>	<b>100.0</b>		<b>279</b>	<b>100.0</b>	<b>250,358</b>	<b>100.0</b>

Source: 2012, 2013, and Q1Q2 2014 HMDA LARs; 2012 HMDA Aggregate Data; and 2010 U.S. Census data.

As illustrated in Table 12, the Bank's lending to moderate-income borrowers is increasing; however, it is declining to low-income borrowers. As aggregate data is not available for 2013, it is difficult to know if the market experienced the same trend. The Bank's lending to low-income borrowers exceeded aggregate lending. Loans extended in the Massachusetts AA accounted for 61 (93.8 percent) of the 65 loans to low-income borrowers. The remaining four loans were purchased from HabitatEBSV and were located in the San Francisco AA. Boston Private did not originate or purchase any loans to a low-income borrower in the Southern California or Washington AAs.

During the evaluation period, the Bank's lending to low-income borrowers was substantially less than demographic data. However, this is reasonable given that 9.6 percent of AA families are below the poverty level. Low-income families, particularly those with incomes below the poverty threshold, would likely have difficulty qualifying for a home mortgage loan using conventional underwriting standards considering the high cost of housing in the combined AA.

The Bank's lending to moderate-income borrowers was below both aggregate lending and the percentage of moderate-income families within the combined AA. As with lending to low-income borrowers, the Bank extended an overwhelming majority (92.0 percent) of these loans in the Massachusetts AA. The Bank originated nine and purchased two of the remaining loans in the San Francisco AA. The Bank did not purchase or originate any loans to moderate-income borrowers in the Southern California or Washington AAs.

Market rank data shows that in 2012, the Bank ranked 92<sup>nd</sup> among the 719 HMDA reporting lenders that originated and purchased home mortgage loans to low-income borrowers, and 132<sup>nd</sup> out of 869 HMDA reporting lenders to moderate-income borrowers. This ranking in terms of lending to low-income borrowers exceeded its overall market ranking of 120<sup>th</sup>, but was less in

lending to the moderate-income borrowers. The banks ranked higher include much larger institutions, including Wells Fargo Bank NA, and JPMorgan Chase Bank NA.

As previously stated, the Bank's lending to low-income borrowers decreased slightly in 2013. Of the 49 loans in the combined AA, 44 loans (89.8 percent) were in the Massachusetts AA, 3 (6.1 percent) were in the San Francisco AA, and 2 (4.1 percent) were in the Southern California AA. Conversely, the Bank's lending to moderate-income borrowers increased by percentage, but not by number. The Bank's lending to moderate-income borrowers continues to be concentrated in the Massachusetts AA, with 116 loans (87.2 percent). The San Francisco AA contained 10 (7.5 percent) of these loans and the Southern California AA contained 7 (5.3 percent).

Significant differences in performance between mortgage products are evident in 2012 and 2013, as the Bank maintained a strong penetration in the home purchase category to low- and moderate-income borrowers. During 2012, Boston Private extended 10.3 and 20.0 percent of home purchase loans to low- and moderate-income borrowers, respectively, within the combined AA, which exceeds the aggregate comparison. Similarly, in 2013, the Bank extended 8.2 and 19.8 percent of home purchase loans to low- and moderate-income individuals. This noteworthy performance highlights the Bank's niche of providing low- and moderate-income individuals with homeownership opportunities. This performance, however, is limited to the Massachusetts AA. The Bank's array of programs targeted to low- and moderate-income borrowers, which are described in detail in the *Innovative or Flexible Lending Practices* section, is the primary reason for its success in making home purchase loans to low- and moderate-income borrowers.

#### *Small Business Loans*

The Bank's lending reflects poor penetration among businesses of different sizes. The distribution of small business loans by gross annual revenue level is depicted in Table 1.

<b>Table 13 – Combined AA Small Business Loans by Gross Annual Revenues</b>							
<b>Year</b>	<b>Gross Annual Revenue</b>	<b>AA Businesses</b>	<b>CRA Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$(000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	≤ \$1,000,000	71.8	44.3	7	19.4	910	6.9
	> \$1,000,000	4.4	55.7	28	77.8	11,865	90.3
	<b>Sub-Total</b>	<b>76.2</b>	<b>100.0</b>	<b>35</b>	<b>97.2</b>	<b>12,775</b>	<b>97.2</b>
	Revenues Not Reported	23.8	0.0	1	2.8	365	2.8
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>13,140</b>	<b>100.0</b>
2013	≤ \$1,000,000	71.4		8	21.0	1,980	13.3
	> \$1,000,000	4.7		30	79.0	12,863	86.7
	<b>Sub-Total</b>	<b>76.1</b>		<b>38</b>	<b>100.0</b>	<b>14,843</b>	<b>100.0</b>
	Revenues Not Reported	23.9					
	<b>Total</b>	<b>100.0</b>		<b>38</b>	<b>100.0</b>	<b>14,843</b>	<b>100.0</b>

Source: Bank Data, 2012 CRA Aggregate Data, and 2010 U.S. Census data.

Of the sampled small business loans from 2012 and 2013, the Bank's distribution to businesses with gross annual revenues of \$1 million or less was significantly less than demographic and aggregate data.

## Community Development (CD) Lending

A CD loan is a loan that has as its primary purpose CD. The loan could not be reported, or collected by the Bank for consideration in the Bank's AA as a home mortgage, small business, or small farm loan unless it is a multifamily dwelling loan. Additionally, the loan must benefit the Bank's AA or a broader statewide or regional area that includes the Bank's AA.

Boston Private is a leader in making CD loans within its AAs. The Bank originated 212 CD loans totaling \$544.3 million during the 38-month evaluation period, which equals 10.8 percent of total loans and 8.8 percent of total assets as of June 30, 2014. The Bank significantly increased its CD lending since the prior CRA review period. During the previous evaluation, the Bank originated 93 loans, totaling \$229.4 million over a 44-month evaluation period. This increase is primarily due to the 2011 merger with affiliate banks. A majority of the lending occurred within the Massachusetts AA, with the highest volume in 2013 at 28 loans totaling \$106 million.

Table 14 outlines the number and dollar volume of CD loans by purpose of funding. CRA allows Banks to receive credit for CD loans made outside of a Bank's AAs when the Bank is responsive to the CD needs within the AAs; therefore, Table 14 includes \$75.3 million of those CD loans. Of the Bank's CD loans, 70 percent were for affordable housing, which was one of the identified community needs within the AAs. Examiners outlined examples of significant CD loans within the discussion of performance by AA.

<i><b>Table 14 – Combined AA Qualified CD Loans</b></i>		
<b>CD Category</b>	<b>Number of Loans</b>	<b>Dollar Volume of Loans</b>
Affordable Housing	138	\$381 million
Economic Development	9	\$47 million
Community Services	56	\$91 million
Revitalize or Stabilize	9	\$25 million
Neighborhood Stabilization Projects	5	\$5 million
<b>Total</b>	<b>212</b>	<b>\$544 million</b>

*Source: Internal Bank records*

## Innovative and Flexible Lending Practices

Boston Private uses innovative and/or flexible lending practices to serve the combined AA's credit needs. A significant majority of this activity occurred through Massachusetts-based programs. The recently introduced programs in the California AAs, resulting in reduced lending levels. This is expected given the Bank's recent entry to these markets.

Boston Private offers various special mortgage loan programs tailored to assist either lower-income individuals or first-time homebuyers in pursuing or maintaining home ownership. Additionally, Boston Private offers some loan products tailored towards small businesses. The small business products represent in-house programs and those offered through the Small Business Administration (SBA). Loans originated under these programs were reported on the Bank's HMDA LARs and in small business records and already received credit in the Lending Test.



Boston Private's targeted geographies of greater Boston, the San Francisco Bay Area, and greater Los Angeles are among the most expensive housing markets in the nation. The Bank makes a substantial commitment to successfully finance first-time homebuyers, offer competitive rates, underwrite terms designed to help borrowers access affordable and quality mortgages, and provide closing cost assistance for low- and moderate-income borrowers.

The Bank works in partnership with quasi-governmental agencies such as the Massachusetts Housing Finance Agency (MassHousing), the Massachusetts Housing Partnership (MHP), and the California Housing Finance Agency (CalHFA) to bring high quality mortgages to both low- and moderate-income homebuyers. As the affordable housing supply is extremely limited, many households are challenged to find homes within their means. These state agencies help bring key products and services to the home mortgage market, along with Boston Private's internal financing options.

Boston Private also partners with local government agencies in Massachusetts and California. Boston Private is a designated "Preferred Lender" by the City of Boston, and a recent participating lender with the Mayor's Office of Housing and Community Development in San Francisco and the City of Los Angeles Low Income Purchase Assistance Program.

The following describes the Bank's involvement in these programs.

#### *Home Mortgage Lending*

- **The ONE Mortgage program (formerly the Soft Second Homeownership Loan Program):** Boston Private works in conjunction with local government agencies, MHP, nonprofit counseling agencies, and the Commonwealth of Massachusetts to offer below-market financing to borrowers earning less than 100 percent of the area median income based on household size. Under the program, Boston Private offers long-term, fixed-rate, reduced cost mortgages, and uses flexible underwriting standards. No private mortgage insurance is required. Qualified buyers must attend approved homebuyer education training and participate in foreclosure prevention programs. Local government agencies provide additional financial support. The Bank is among the top lenders for these mortgages in Boston during the evaluation period, having extended 204 loans totaling \$46 million. Of these loans, 92.6 percent were to low- and moderate-income individuals.
- **MassHousing:** Boston Private originates loans through the MassHousing loan programs. MassHousing is a quasi-public state agency whose mission is to increase the State's supply of affordable housing. The Bank is involved in the following MassHousing programs.
  - **MassHousing Mortgage Program:** The MassHousing Mortgage program provides financing to first-time homebuyers who meet their income guidelines of up to no more than 135 percent of the median income. Qualified homebuyers are eligible for long-term, fixed-rate mortgages with flexible underwriting standards. Private mortgage insurance is required for all loans in excess of 80 percent loan-to-value. Boston Private pays the private mortgage insurance for eligible borrowers. Buyers must attend approved homebuyer education training. During the evaluation period, the Bank extended 72 loans totaling \$18 million. Of these loans, the Bank extended 29 loans for \$5 million to low- and moderate-income individuals.

- **MassHousing My Community Mortgage Program:** Through this program, first-time buyers and other eligible homeowners receive low or no downpayment loans. Lower interest rates and flexible underwriting guidelines are provided to first-time homebuyers or homeowners who earn up to 135 percent of the median income. Private mortgage insurance is required. Buyers must attend approved homebuyer education training.
- **Municipal Community Partner Programs:** In Massachusetts, Boston Private works with many cities and towns to offer downpayment and closing cost assistance to low- and moderate-income, first-time home buyers. Some of the partner cities and towns include Arlington, Boston, Braintree, Brookline, Cambridge, Chelsea, Everett, Lowell, Malden, Medford, Melrose, Newton, Quincy, Randolph, Revere, Watertown, Weymouth, and Winthrop. Boston Private provides mortgage financing with reduced closing costs through these programs.
  - The **City of Boston** provides downpayment and closing cost assistance to graduates of the City of Boston’s first-time homebuyer training “Homebuying 101” or multi-family training “Homeowner 201” who are purchasing homes within the City of Boston and will receive Boston Private financing. The assistance is need based and can be up to 3 percent of the purchase price for eligible borrowers. During the evaluation period and in conjunction with 43 grants totaling \$285,290 provided by the City, Boston Private provided mortgages totaling \$11 million.
  - The **City of Cambridge** Housing Division offers access to affordable rental and homeownership units created through City programs. They work with the Cambridge Affordable Housing Trust, non-profit housing providers, and the Cambridge Housing Authority to acquire, build, and preserve affordable housing. The City offers affordable homeownership units that are available to first-time homebuyers with incomes of up to 100 percent of Area Median Income. The City offers Financial Assistance and Downpayment and Closing Cost Assistance Programs. During the evaluation period, Boston Private funded 21 mortgages that included these programs totaling \$4 million.
- **Equity Builder Programs (EPP):** Boston Private uses funding from the FHLBB to provide “soft” subordinate mortgages to assist homebuyers with incomes of less than 80 percent of the area median income based on household size. The loans are offered in conjunction with senior mortgages from Boston Private. Under the program, the Bank offers up to \$15,000 at zero percent interest. Loan repayment is required only if the homebuyer sells, refinances, or otherwise transfers property ownership, or the Bank forecloses on the home within five years of closing. After five years, the Bank forgives the loan. During the evaluation period, Boston Private originated 29 loans totaling \$5 million.

Boston Private also uses funding to help low- and moderate-income homebuyers with critically needed down payment and closing cost assistance, the lack of which can be a major obstacle to homeownership. EBP structures the funds as forgivable loans for borrowers earning less than 80 percent of the area median income. The Bank obtains the funds on a competitive basis from the FHLBB, but the Bank must fund the grants up-front and seek reimbursement from the FHLBB. The FHLBB considers Boston Private to be among the highest performing lenders using this product and a leader since the program’s inception. The Bank has made this unique product available in both its Massachusetts and California markets, with approval from the

FHLBB. In 2013, the Bank received approval from the FHLBB to use these funds in California. In May 2013, the Bank closed its first loan through this program.

- **Community Homeowner Fixed Rate Program:** In April 2013, Boston Private created a portfolio mortgage program for California. This affordable mortgage product is for borrowers earning less than 100 percent of the area's median income to purchase or refinance a home. Only owner-occupied, principal residences qualify. Under this program, Boston Private offers long-term, fixed-rate, reduced-cost mortgages with low down payments and no private mortgage insurance. Qualified buyers must attend approved homebuyer education training. Local government agencies provide additional financial support to eligible borrowers. The Bank offers financing in conjunction with Below Market Rate (BMR) governmental housing affordability restrictions.

Boston Private created this product to address the void in secondary market financing due to the California Housing Finance Agency's (CalHFA) losing its master servicing agreement with a large financial institution. Since implementation, the Bank originated 41 loans totaling \$10 million. Of these loans, the Bank extended 25 to low- and moderate-income individuals totaling \$5 million. The volume of loans extended through the first seven months of 2014 is more than double the amount funded since inception.

- **Municipal Community Partner Programs:** In the San Francisco AA, Boston Private works with many municipalities to offer downpayment, closing cost assistance, and second mortgages. Some of the partner areas include Santa Clara County, San Mateo County, and the cities of San Mateo and San Francisco.
  - **San Francisco, Below Market Rent-Inclusionary Housing Program (IHP), San Francisco-CalHome Mortgage Assistance Loan Program Below Market Rent – Down Payment Loan Assistance Loan Program (BMR-DALP), and San Francisco- Down Payment Assistance Loan Program (DALP):** IHP is available to first-time homebuyers with income limits of 80 percent to 100 percent of the area median income to purchase condominium units priced from approximately \$200,000 and upwards in new private condominiums buildings. BMR-DALP is a down payment assistance loan for low-income, first-time homebuyers purchasing a BMR condominium unit in the City and County of San Francisco. DALP is also a down payment assistance loan for low- and moderate-income, first-time home buyers purchasing a single-family home in San Francisco, except for a BMR IHP unit. The DALP is a silent second loan that is deferred and requires no payment for 40 years. The Bank started participating in IHP in October 2013, BMR-DALP in December 2013, and DALP in March 2013. During the evaluation period, Boston Private closed 15 BMR-IHP Purchases and 4 BMR-IHP Refinances totaling \$3.9 million; 12 Downpayment Assistance Loans totaling \$468,000; and 7 BMR DALP loans totaling \$318,000.
  - **San Mateo BMR Program:** This program consists of condominiums and townhouses that may be sold at below market prices that offer deferred second loans with below market interest rates and payment deferrals. The Agency provides the second lien, not the Bank. The program is primarily for first-time home buyers, but other applications may be considered. The City also created additional housing through a special ordinance that requires residential developers to set aside units for first-time home buyers at below market prices. The Bank started participating in this

program in May 2013. During the evaluation period, Boston Private originated 7 loans for over \$1.8 million.

- **Participating Lender:** Starting in 2012, the Bank worked towards becoming the participating lender of several city/county assistance programs serving the San Francisco area, as well as providing financing for their BMR Programs. Due to the high cost of housing in the San Francisco AA, participation in these types of programs is crucial. Without such assistance, the market home prices would not be affordable to low- and moderate-income borrowers. During 2013, Boston Private funded 26 mortgages totaling \$5 million in conjunction with layering resources from the City of San Mateo, the Palo Alto Housing Corporation, the San Francisco Housing Development Corporation, and the San Francisco Mayor's Office of Housing and Community Development. The Bank is working towards establishing similar type relationships with municipalities in Southern California.

Although the Bank has not originated any loans through the following five home mortgage loan programs offered in the California markets, they are included to illustrate the Bank's commitment and dedication to offering such programs given the time and effort involved. These loan programs consist of the Daisy Program, Housing Trust Silicon Valley Closing Cost Assistance Program, the Mortgage Assistance Program, Gap Assistance Program, and the California Housing Finance Agency (CalHFA) – California Homebuyer's Downpayment Assistance Program (CHDAP). As an example, the Bank commenced the approval process in January 2013 to offer the CalHFA program, and was designated an approved CalHFA lender in September 2014.

#### *Small Business Lending*

- **Small Business Administration (SBA):** Boston Private received designation as an SBA preferred lender in 2011. The Bank originated 38 SBA loans totaling \$12.1 million during the evaluation period through the 7(a) and 504 loan programs. Since 2011, the number of loans extended increased from the previous year. Of the dollar amount, the Bank extended 90.6 percent within the Massachusetts AA, 7.7 percent in the San Francisco AA, and 1.7 percent in the Southern California AA.
- **Community Partners Small Business Loan Program:** Boston Private designed the program to improve access to Bank financing for very small businesses that receive assistance from a non-profit technical assistance provider. During the evaluation period, the Bank originated 101 loans through this program totaling \$34.1 million. Since 2011, the Bank's originations have increased annually. Of this dollar amount, the Bank extended 67.3 percent within the Massachusetts AA, 24.6 percent in the San Francisco AA, and 5.2 percent in the Southern California AA.
- **Micro Loan Program:** This micro loan product is available to finance refugee-owned businesses receiving assistance from small business counselors at an organization that refers to itself as JVS. The maximum loan size is \$20,000 for a term of no more than 36 months, at an interest rate of no more than 4 percent over the New York prime lending rate. In accordance with its grant award, JVS established a loan loss reserve set aside in reserve accounts at the Bank equal to approximately 30 percent of the principal amount of the loans at origination. Boston Private worked with JVS to develop mutually agreeable and efficient loan documentation and loan processing procedures. The Bank underwrites the loans and offers a simplified review and closing process. JVS provides technical assistance to the businesses through the application and closing process as well as during the loan's term.

Since implementation in 2012, JVS has referred and Boston Private has successfully financed one borrower with a \$20,000 loan.

## **INVESTMENT TEST**

The Investment Test evaluates the institution's record of helping to meet the credit needs of its AAs through qualified investments that benefit the AAs or a broader statewide or regional area that includes the AAs.

Examiners considered the Bank's qualified investment activity from June 2011 through October 2014. Examiners formed conclusions based on the Bank's resources and the availability of qualified investments in the AAs.

The Bank's overall Investment Test performance is High Satisfactory. Boston Private Bank has a significant level of qualified community development investments and grants. The Bank exhibits good responsiveness to the credit and community economic development needs. In addition, the Bank makes significant use of innovative or complex investments to support CD initiatives.

### **Qualified Investments and Donations**

As shown in Table 15, Boston Private made 931 qualified investments totaling over \$33.7 million. This total includes new equity investments (\$18.5 million), qualified grants and donations (\$2.0 million), and outstanding equity investments (\$13.2 million). This dollar amount equates to 0.5 percent of total assets and 4.2 percent of securities as of June 30, 2014. Of the total dollar amount, 47.8 percent benefited organizations dedicated to creating affordable housing, which is a primary community development need of the combined AA. The Bank addressed this need primarily through investing in low-income housing tax credits.

Table 15 – Combined AA Qualified Investments and Donations												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Neighborhood Stabilization Projects		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	6	2,026	4	11,131	0	0	1	19	0	0	11	13,176
06/13/2011-12/31/2011	29	189	79	132	15	295	12	44	0	0	135	660
2012	66	1,570	142	615	36	93	20	70	0	0	264	2,348
2013	69	5,161	137	265	49	4,157	26	429	0	0	281	10,012
YTD 2014	77	7,168	112	188	31	84	20	66	0	0	240	7,506
Totals	247	16,114	474	12,331	131	4,629	79	1,029	0	0	931	33,702

*Source: Internal Records*

In addition to the funded investments, the Bank also committed to two complex tax credit programs totaling over \$3.2 million. These two programs are unique as they require binding agreements to fund. Absent this binding agreement from an equity investor, other financing sources would not be able to close on their financing and allow construction to start.

The evaluation includes examples of qualified investments and donations within the discussion of Bank performance by AA.

## **SERVICE TEST**

The Service Test evaluates the institution's record of helping to meet the credit needs of its AA by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its CD services.

The Bank's overall Service Test performance is rated High Satisfactory. Delivery systems are reasonably accessible to essentially all portions of the assessment area. Although the branch network is somewhat limited given the size of the assessment areas, the Bank inherited the California branch footprint from its predecessor banks and alternative delivery systems are available to mitigate any immediate lack of access to banking facilities. Boston Private's opening and closing of branch offices has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. Services and business hours do not vary in a way that inconveniences certain portions of the AAs, particularly low- and moderate-income geographies and/or low- and moderate-income individuals. The institution provides a relatively high level of community development services, although it is a leader in the Massachusetts AA.

### **Retail Banking Services**

#### *Accessibility of Delivery Systems*

Upon merger completion in 2011, Boston Private operated 24 full-service branches and a loan production office throughout three states. Of these branches, 10 were in Massachusetts (one low-income), 10 in California (two low-income and one moderate-income), and 4 in Washington (one low-income). Further geographical changes occurred following the sale of the Washington operations in May 2013, and the opening of additional branches.

Examiners compared the geographic distribution of the Bank's branches in both 2012 and 2013 to the geographic distribution of census tracts and the AA population to determine the accessibility of its delivery systems. Table 16 presents this information. Overall, a majority of the branches are located in upper-income tracts. The percentage of branches located in the low-income tracts exceeds the percentage of low-income tracts and the population and businesses residing within those tracts; whereas, the distribution in the moderate-income tracts is significantly less.

<b>Table 16 – Combined AA</b>					
<b><i>Distribution of Bank Offices by Census Tract Income Level, Population, and Businesses</i></b>					
<b>Census Tract Income Category</b>	<b>Census Tracts 2012/2013</b>	<b>Bank Branches 2012/2013</b>		<b>Population 2012/2013</b>	<b>Businesses 2012/2013</b>
	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Low</b>	9.8/10.3	4/4	16.7/17.4	8.8/9.2	7.7/8.1
<b>Moderate</b>	25.2/25.8	1/1	4.2/4.3	25.6/26.4	17.8/17.9
<b>Middle</b>	31.9/30.8	3/3	12.5/13.0	33.9/32.7	31.3/29.8
<b>Upper</b>	31.8/31.7	16/15	66.7/65.2	31.5/31.5	42.6/43.5
<b>Income NA</b>	1.3/1.4	0/0	0.0	0.2/0.2	0.6/0.7
<b>Total</b>	<b>100.0</b>	<b>24/23</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Source: 2010 U.S. Census data, internal Bank records, and 2012 and 2013 D&B data*

### *Alternative Delivery Systems*

Boston Private operates ATMs and non-deposit taking remote ATMs. In total, in 2012, the Bank operated 24 ATMs throughout the AA. Of these ATMs, 21 were at the same locations as the branches and the loan production office. The remaining three ATMs were standalone in upper-income tracts in Massachusetts. There were no ATMs in Washington State. The geographic location of the ATMs is similar to that of the branch offices as all of the branches except for those located in Washington State maintained ATMs. The Bank's ATM cards are recognized at any Plus and NYCE location, which provides clients with access to their funds at numerous locations worldwide.

Many offices maintain night depository facilities for business customers to make deposits. The Bank offers toll-free telephone banking services to all customers, which customers can access 24 hours a day, 7 days a week. The system allows Bank customers to check account balances, transfer funds between accounts, make loan payments, confirm deposits and withdrawals, obtain current interest rate information on deposit products, and various other services.

Boston Private also offers internet and mobile banking to their customers. These services allow customers to check balances, view recent transactions, transfer between accounts, pay bills, and find banking centers and ATMs from their personal computers or mobile devices 24 hours a day, 7 days a week.

### *Changes in Branch Locations*

Boston Private opened three branches since the previous evaluation. In the Massachusetts AA, the Bank opened one branch in an upper-income census tract. In the San Francisco AA, the Bank opened one office in a low-income census tract. In the Southern California AA, Boston Private opened one office in a middle-income tract. The Bank also relocated one office in each California market to another nearby location within the same municipality and tract income level.

Additionally, the Bank closed all four branches in the Washington AA since Boston Private exited that market in May 2013. There was no net adverse impact on the availability of banking services.

### *Reasonableness of Business Hours and Services*

The banking offices are open in the Massachusetts AA Monday through Friday from 8:30 a.m. to 4:00 p.m. The headquarters is open 8:30 a.m. to 5:00 p.m. with the teller window closing at 4:00 p.m. In the San Francisco AA, branches are open Monday through Thursday 9:00 a.m. to 4:00 p.m. and Friday 9:00 a.m. to 6:00 p.m. In the Southern California AA, branches are open Monday through Friday 9:00 a.m. to 4:30 p.m. This compares favorably with other banks in these respective areas.

Boston Private offers a wide range of services for its retail (including low- and moderate-income), small business, and commercial customers. The Bank is a full-service institution offering a variety of credit, deposit, investment, and special services. Products and services are available at all office locations.

## **Community Development Services**

Given the assessment area needs and opportunities, as well as the size and resources of the institution, Boston Private provided a relatively high level of CD services. Over 100 officers and employees are involved with more than 148 organizations that promote CD.<sup>2</sup> These organizations include economic development, social service, housing-related, educational, and counseling organizations. Bank employees provide their financial industry knowledge and technical expertise to these groups. Bank personnel serve in various capacities including directors, officers, treasurers, and committee members. In many cases, involvement in these organizations has led to loans and grants.

The evaluation includes examples of CD services within the discussion of Bank performance by AA. The majority of services benefitted the Massachusetts AA.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

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<sup>2</sup> Activities from the Washington AA are not included as the information was not available for the entire period in which it was part of the bank's AAs.



# STATE OF MASSACHUSETTS

## ***CRA RATING FOR MASSACHUSETTS:***

***The Lending Test is rated:***

***The Investment Test is rated:***

***The Service Test is rated:***

***Outstanding***

***High Satisfactory***

***Outstanding***

***Outstanding***

## **SCOPE OF EXAMINATION**

The products and time period indicated within the scope section of the combined applies, except that only loans, qualified investments, and CD services originated, made, or provided within the Massachusetts AA are considered in this section. The Bank designated one AA within Massachusetts. Examiners performed a full-scope review for this area.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN *Massachusetts***

This AA consists of all of Suffolk County and portions of four other contiguous counties – Norfolk, Plymouth, Middlesex, and Essex County within the Boston-Cambridge-Newton, MA-NH MSA. For 2012 and 2013, Essex County was within the Peabody, MA MD. February 2013 revisions to MD boundaries resulted in the Essex County being included in the Cambridge-Newton-Framingham, MA MD as indicated below.

- ***Boston, MA MD:***

- *Suffolk County, MA* – Boston, Chelsea, Revere, and Winthrop
- *Norfolk County, MA* – Braintree, Brookline, Canton, Cohasset, Dedham, Dover, Milton, Needham, Norwood, Quincy, Randolph, Wellesley, Westwood, and Weymouth
- *Plymouth County, MA* – Hanover, Hingham, Hull, Marshfield, Norwell, Rockland, and Scituate

- ***Cambridge-Newton-Framingham, MA MD:***

- *Middlesex County, MA* – Acton, Arlington, Bedford, Belmont, Billerica, Burlington, Cambridge, Carlisle, Chelmsford, Concord, Everett, Framingham, Hudson, Lexington, Lincoln, Lowell, Malden, Marlborough, Maynard, Medford, Melrose, Natick, Newton, North Reading, Reading, Sherborn, Somerville, Stoneham, Stow, Sudbury, Tewksbury, Wakefield, Waltham, Watertown, Wayland, Weston, Wilmington, Winchester, and Woburn
- *Essex County, MA* – Beverly, Danvers, Hamilton, Lynn, Lynnfield, Manchester, Marblehead, Middleton, Nahant, Peabody, Salem, Saugus, Swampscott, Topsfield, and Wenham

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *Massachusetts***

The Bank's performance within Massachusetts is discussed in the Boston-Cambridge-Newton, MA-NH MSA analysis in the following section of the evaluation.

# BOSTON-CAMBRIDGE-NEWTON, MA METROPOLITAN AREA

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN *Boston-Cambridge-Newton, MA MSA*

During the evaluation period, the Bank operated seven branch offices, or approximately 25.9 percent of its total offices, in the Boston, MA MD, and 4 branch offices, or 14.8 percent of its total offices, in the Cambridge-Newton-Framingham, MA MD. As of the evaluation date, this increased to 30.4 percent and 17.4 percent, respectively, due to the branch closures in Washington. The Bank also operates a loan production office in this AA. Table 17 includes pertinent demographic information for the Massachusetts AA in 2012 and 2013. Revised MD boundaries slightly reduced the percentage of low- and moderate-income tracts in this AA, but these changes do not affect conclusions during the evaluation period.

<i>Table 17 – Boston-Cambridge-Newton MSA (Massachusetts AA) Demographics</i>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (CTs)	675	12.0	22.5	35.7	27.9	1.9
Population by Geography	2,985,161	10.0	22.2	39.1	28.6	0.1
Owner-Occupied Housing by Geography	1,240,724	3.6	16.0	44.6	35.8	0.0
Family Distribution by Income Level	692,738	24.2	16.5	20.0	39.3	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	281,882	16.5	30.7	36.7	16.1	0.0
Median Family Income FFIEC Adjusted MFI for 2012 Families Below Poverty Level		\$93,775 \$96,043 7.5%	Median Housing Value Unemployment Rate		\$464,295 6.9%	

*Source: 2010 U.S. Census*

This AA contains 675 census tracts, of which 12.0 percent are low-income, 22.5 percent are moderate-income, 35.7 percent are middle-income, 27.9 percent are upper-income, and 1.9 percent are NA. The total population of 2,985,161 is comprised of 692,738 families. Of the families in this AA, 24.2 percent are low-income, 16.5 percent are moderate-income, 20.0 percent are middle-income, and 39.3 percent are upper-income. The average MFI is \$93,775, the median housing value is \$438,038, 7.5 percent of families are below the poverty level, and the unemployment rate is 6.9 percent.

As of August 2014, the Bureau of Labor Statistics reported the unemployment rates for Suffolk County at 6.3 percent, Plymouth County at 6.0 percent, Norfolk County at 5.1 percent, Middlesex County at 4.9 percent, and Essex County at 6.4 percent. The Massachusetts unemployment rate was 6.9 percent.

To determine the distribution of HMDA loans by borrower income level, the following FFIEC-calculated MFIs detailed in Table 18 were used, as applicable.

<b>Table 18 – Boston-Cambridge-Newton MSA (Massachusetts AA) Median Family Incomes</b>			
<b>MSA/MD</b>	<b>Name</b>	<b>2012</b>	<b>2013</b>
<b>14460</b>	Boston-Cambridge-Quincy, MA-NH MSA		
<b>14484</b>	Boston-Quincy, MA MD	\$88,800	\$88,000
<b>15764</b>	Cambridge-Newton-Framingham, MA MD	\$106,400	\$101,000
<b>37764</b>	Peabody, MA MD	\$87,300	\$83,500

*Source: Federal Financial Institution Examination Council*

According to D&B data, there were 306,574 and 281,829 businesses within the AA during 2012 and 2013, respectively. Table 19 indicates the number and percentage of business demographics by census tract income and by business annual revenue.

<b>Table 19 – Boston-Cambridge-Newton, MA MSA (Massachusetts AA) Nonfarm Business Demographics</b>				
<b>Business Demographics</b>	<b>2012</b>		<b>2013</b>	
<i>By CT</i>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	21,125	6.9	19,447	6.9
<b>Moderate</b>	48,156	15.6	43,920	15.6
<b>Middle</b>	113,907	37.1	104,431	37.0
<b>Upper</b>	122,486	40.0	113,262	40.2
<b>Income NA</b>	900	0.3	769	0.3
<b>Total</b>	<b>306,574</b>	<b>100.0</b>	<b>281,829</b>	<b>100.0</b>
<i>By Annual Revenue</i>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$1 million</b>	216,477	70.6	200,284	71.1
<b>&gt; \$1 million</b>	16,465	5.4	16,175	5.7
<b>Revenue Unknown</b>	73,632	24.0	65,370	23.2
<b>Total</b>	<b>306,574</b>	<b>100.0</b>	<b>281,829</b>	<b>100.0</b>

*Source: 2012 and 2013 D&B data*

The percentage of nonfarm businesses within low- and moderate-income tracts remained unchanged from 2012 to 2013. The percentage of nonfarm businesses with revenues of \$1 million or less increased slightly from 2012 to 2013.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *Boston-Cambridge-Newton, MA MSA*

### LENDING TEST

#### Lending Activity

Lending levels reflect good responsiveness to AA credit needs and are better than the Bank's overall Lending Test performance. Market rank data further supports this assessment. During 2012, 583 HMDA-reportable institutions originated or purchased 197,788 home mortgage loans in the AA. Based on its 2012 originations, Boston Private's market share was 0.4 percent and ranked 45<sup>th</sup>. The top five lenders included Wells Fargo Bank, JP Morgan Chase Bank N.A., USA Bank, N.A., Mortgage Master Inc., and Citibank NA. These leading institutions collectively accounted for 29.0 percent of the total market share.

#### Geographic Distribution

The geographic distribution of loans reflects good dispersion throughout this AA.

#### Home Mortgage Loans

The Bank achieved good dispersion of home mortgage loans throughout the AA, particularly in low- and moderate-income census tracts, when compared to demographics and aggregate lending data. Refer to Table 20 for specific information concerning the distribution of home mortgage loans by census tract income level.

<b>Table 20 – Boston-Cambridge-Newton MSA (Massachusetts AA)</b> <b>Home Mortgage Loans By Census Tract Income Level</b>							
Year	Census Tract Income Level	AA Owner Occupied Housing Units	HMDA Aggregate Lending	Bank Lending		Dollar Volume of Loans \$(000s)	
		% of #	% of #	#	%	\$	%
2012	Low	3.6	2.8	46	5.6	17,018	3.4
	Moderate	16.0	12.2	92	11.2	21,805	4.4
	Middle	44.6	42.0	183	22.3	89,692	18.2
	Upper	35.8	43.0	500	60.9	365,112	74.0
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>821</b>	<b>100.0</b>	<b>493,627</b>	<b>100.0</b>
2013	Low	3.6		41	6.2	16,097	3.7
	Moderate	16.0		103	15.5	29,514	6.7
	Middle	44.6		125	18.9	45,134	10.3
	Upper	35.8		394	59.4	346,984	79.3
	<b>Total</b>	<b>100.0</b>		<b>663</b>	<b>100.0</b>	<b>437,729</b>	<b>100.0</b>
Q1Q2 2014	Low	3.4		10	5.7	2,720	2.0
	Moderate	15.1		22	12.4	8,928	6.5
	Middle	43.6		29	16.4	15,870	11.6
	Upper	37.9		116	65.5	109,009	79.9
	<b>Total</b>	<b>100.0</b>		<b>177</b>	<b>100.0</b>	<b>136,527</b>	<b>100.0</b>

Source: 2012, 2013, and Q1Q2 2014 HMDA LARs; 2012 HMDA Aggregate Data; and 2010 U.S. Census data.

As shown in Table 20, the level of lending in the area's low- and moderate-income census tracts fluctuated during the evaluation period, as lending during the first six months of 2014 has

declined from 2013 levels. The strongest penetration was in 2013. Overall, the Bank's lending in the low-income tracts is stronger than its lending in the moderate-income tracts. Market rank data for 2012 further supports this assessment, as the Bank ranked 28<sup>th</sup> in lending in the low-income tracts and 52<sup>nd</sup> in the moderate-income census tracts. In both areas, the leading lender was Wells Fargo.

Examiners noted significant differences by product. The Bank proved particularly successful in making home purchase loans in low- and moderate-income census tracts in this area. During 2012, Boston Private extended a greater number of home purchase loans in the low- and moderate-income tracts at 7.8 and 17.2 percent, respectively, than both aggregate and demographic data. Home purchase lending during 2013 in the low- and moderate-income tracts at 6.8 and 21.5 percent, respectively, was greater than demographics.

### *Small Business Loans*

Boston Private's geographic distribution of the sampled small business loans reflects adequate penetration throughout the area. Refer to Table 21 for specific information concerning the distribution of small business loans among the census tract income categories.

<b>Table 21 – Boston-Cambridge-Newton, MA MSA (Massachusetts AA)</b>							
<b>Small Business Loans by Census Tract Income Level</b>							
<b>Year</b>	<b>Census Tract Income Level</b>	<b>AA Businesses</b>	<b>CRA Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$(000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	Low	6.9	5.9	0	0.0	0	0.0
	Moderate	15.7	15.6	3	13.1	2,060	24.6
	Middle	37.1	39.6	7	30.4	1,825	21.8
	Upper	40.0	38.6	13	56.5	4,480	53.6
	Income NA	0.3	0.3				
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>8,365</b>	<b>100.0</b>
2013	Low	6.9		0	0.0	0	0.0
	Moderate	15.6		4	16.7	1,650	20.4
	Middle	37.0		8	33.3	2,815	34.7
	Upper	40.2		12	50.0	3,645	44.9
	Income NA	0.3					
	<b>Total</b>	<b>100.0</b>		<b>24</b>	<b>100.0</b>	<b>8,110</b>	<b>100.0</b>

Source: Bank Data, 2012 CRA Aggregate Data, and 2010 U.S. Census data.

The Bank's lending in the moderate-income tracts is reasonable given that it is slightly less than aggregate and demographics in 2012, but greater than demographics in 2013. Conversely, the Bank did not extend any small business loans in the low-income tracts during 2012 or 2013. The Bank's presence in the low-income tracts is limited, as the only branch in a low-income tract is in Cambridge, and this AA contains 81 low-income census tracts. The Bank continues to develop relationships with community development groups and increase its outreach activities in low-income areas to enhance its lending. Considering these mitigating factors, as well as the impact of one loan given the sample size, the geographic distribution of lending is adequate.

## Borrower Distribution

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size within the Massachusetts AA.

### *Home Mortgage Loans*

The Bank achieved a good distribution of loans among retail customers of different income levels. Refer to Table 22 for information concerning the distribution of home mortgage loans by borrower income.

<b>Table 22 – Boston-Cambridge-Newton, MA MSA (Massachusetts AA)</b>							
<b>Home Mortgage Loans by Borrower Income Level</b>							
<b>Year</b>	<b>Income Classification</b>	<b>AA Families</b>	<b>HMDA Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$ (000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	Low	24.2	4.6	61	7.4	5,632	1.1
	Moderate	16.5	15.3	126	15.3	17,777	3.6
	Middle	20.0	23.8	96	11.7	27,983	5.7
	Upper	39.3	43.4	526	64.1	407,637	82.6
	Income NA	0.0	12.9	12	1.5	34,598	7.0
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>821</b>	<b>100.0</b>	<b>493,627</b>	<b>100.0</b>
2013	Low	24.2		44	6.6	4,108	0.9
	Moderate	16.5		116	17.5	15,937	3.6
	Middle	20.0		71	10.7	20,791	4.8
	Upper	39.3		423	63.8	356,625	81.5
	Income NA	0.0		9	1.4	40,268	9.2
	<b>Total</b>	<b>100.0</b>		<b>663</b>	<b>100.0</b>	<b>437,729</b>	<b>100.0</b>
Q1Q2 2014	Low	23.7		8	4.5	774	0.6
	Moderate	16.2		32	18.1	5,494	4.0
	Middle	19.7		16	9.1	3,926	2.9
	Upper	40.4		119	67.2	120,858	88.5
	Income NA	0.0		2	1.1	5,475	4.0
	<b>Total</b>	<b>100.0</b>		<b>177</b>	<b>100.0</b>	<b>136,527</b>	<b>100.0</b>

Source: 2012, 2013, and Q1Q2 2014 HMDA LARs; 2012 HMDA Aggregate Data; and 2010 U.S. Census data.

The distribution appears strongest in 2012 when the Bank exceeded the aggregate in lending to low- and moderate-income borrowers. However, despite increasing lending levels to moderate-income individuals, the Bank's lending to low-income individuals is declining.

Market rank data for 2012 further supports that the Bank actively made loans to low- and moderate-income individuals. The Bank ranked 30<sup>th</sup> with a market share of 0.7 percent and 47<sup>th</sup> with a market share of 0.4 for its lending to low- and moderate-income borrowers. The Bank's ranking in terms of lending to low-income borrowers exceeded its overall market ranking of 45<sup>th</sup>, indicating its success in lending to low-income borrowers. The Bank's market share in lending to moderate-income borrowers was in line with its overall ranking. The banks that ranked higher include much larger institutions, including Wells Fargo Bank NA, and JPMorgan Chase Bank NA.

Significant differences in performance by purpose are evident in 2012 and 2013, as the Bank maintained a strong penetration in the home purchase category to low- and moderate-income borrowers. During 2012, Boston Private extended 13.0 and 25.5 percent of home purchase loans to low- and moderate-income borrowers, respectively, within this area, which significantly exceeds the aggregate comparison of 6.9 percent and 19.9 percent. Similarly, the Bank extended 10.6 and 26.1 percent of home purchase loans to low- and moderate-income individuals in 2013. Although the level of lending to low-income borrowers is less than the demographic comparison of 24.2 percent, the level of lending to moderate-income borrowers greatly exceeded demographics at 16.5 percent during both 2012 and 2013. As previously stated, the Bank achieved this strong penetration due to the array of programs and products offered to assist low- and moderate-income borrowers.

### *Small Business Loans*

The distribution of borrowers reflects poor penetration among business customers of different size. Table 23 depicts the distribution of small business loans by gross annual revenue level.

<b>Table 23 – Boston-Cambridge-Newton, MA MSA (Massachusetts AA)</b> <b>Small Business Loans by Gross Annual Revenues</b>							
<b>Year</b>	<b>Gross Annual Revenue</b>	<b>AA Businesses</b>	<b>CRA Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$(000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	≤ \$1,000,000	70.6	40.3	5	21.7	610	7.3
	> \$1,000,000	5.4	59.7	17	73.9	7,390	88.3
	<b>Sub-Total</b>	<b>76.0</b>	<b>100.0</b>	<b>22</b>	<b>95.6</b>	<b>8,000</b>	<b>95.6</b>
	Revenues Not Reported	24.0	0.0	1	4.4	365	4.4
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>8,365</b>	<b>100.0</b>
2013	≤ \$1,000,000	71.1		5	20.8	492	6.1
	> \$1,000,000	5.7		19	79.2	7,618	93.9
	<b>Sub-Total</b>	<b>76.8</b>		<b>24</b>	<b>100.0</b>	<b>8,110</b>	<b>100.0</b>
	Revenues Not Reported	23.2					
	<b>Total</b>	<b>100.0</b>		<b>24</b>	<b>100.0</b>	<b>8,110</b>	<b>100.0</b>

*Source: Bank Data, 2012 CRA Aggregate Data, and 2010 U.S. Census data.*

During both 2012 and 2013, the Bank originated five loans to businesses with gross annual revenues of \$1 million or less. In both years, the percentage is significantly less than the percentage of businesses in that revenue category. In 2012, the Bank's lending is also less than the aggregate's performance. However, aggregate data reflects all activity at a county level and this AA does not include whole counties, further, the D&B percentage of AA small businesses provides only a general business profile and not all businesses are creditworthy or have credit needs. Nonetheless, Boston Private's performance is poor.

## Community Development Lending

The Bank is a leader in funding CD loans in the Massachusetts AA, which is consistent with the Bank's overall performance for this criterion. The Bank originated \$316 million in CD loans within this area. Since the Bank was responsive to credit needs in this AA, the Bank received credit for an additional \$33 million in CD loans outside the AA, but within a broader regional area that includes this AA. Thus, the Bank extended a total of \$349 million in CD lending, which represents 64.2 percent of the Bank's total CD lending.

The following are examples of CD loans originated within this AA:

- A \$2 million loan in 2014 to a Chelsea-based nonprofit organization to acquire and reuse a former American Legion Hall to provide 10 units of supportive housing for formerly homeless veterans. Boston Private obtained an FHLBB AHP grant to support the project and purchased state historic tax credits awarded to the project. Subordinate debt provided by the State and the City of Chelsea.
- A \$442,000 and a \$10 million tax exempt industrial revenue bond (both reported as loans) in 2014 to support the construction of a 75-unit affordable housing development for very-low-income elders in Chinatown.<sup>3</sup> The complex development, which involved constructing an addition to an occupied, existing affordable elderly housing property, and a subsequent demolition and construction of the original building, experienced substantial cost overruns due to unforeseen circumstances. To qualify for a second phase for Low Income Housing Tax Credits, the project required an additional \$750,000 in bond financing. Boston Private renewed the original \$17 million financing and increased the financing by \$750,000. The Bank's participation's was 41.1 percent of both loans to a third party bank. Subordinate debt was provided by the City of Boston and the State.
- A \$350,000 line of credit in 2013 to a nonprofit charter school to finance its operations. The nonprofit charter school serves low- and moderate-income students from Chelsea, Lynn, and Revere. Approximately 82 percent of the student body is eligible for the free lunch program.
- A \$22 million construction loan in 2013 to finance a 95-unit affordable residential development. This development is part of a larger development on parcels reclaimed from the site of Boston's "Big Dig." The development is being built on land leased from the Commonwealth under a 99-year ground lease. The developer is a joint venture of a Community Development Corporation and a private partner. Financing for the development includes Low Income Housing Tax Credit equity and subordinate debt from the City of Boston and the State. MA Housing Partnership (MHP) is providing permanent financing for the development. A non-bank lender provided an additional \$2 million in financing.

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<sup>3</sup> According to the Call Report instructions, industrial development bonds (IDBs) which are issued under the auspices of states or political subdivisions for the benefit of a private party or enterprise where that party or enterprise, rather than the government entity, is obligated to pay the principal and interest on the obligation should be reported as securities in this item (Schedule RC-B, item 3) or as loans in Schedule RC-C, part I, item 8, consistent with the asset category in which the bank reports IDBs and similar obligations on its balance sheet for other financial reporting purposes.



- A \$750,000 line of credit in 2012 to a nonprofit organization that provides meals to low- and moderate-income critically ill individuals throughout Eastern Massachusetts to fund its operations.
- A \$43 million long term tax-exempt bond and a \$5 million short term tax-exempt bond (both reported as loans), and a short term \$3 million loan, all in 2012, as part of a complex financing of the acquisition and moderate rehabilitation of a fully-occupied 199-unit property for low-income elders in the Fenway neighborhood of Boston. Financing for the property also included federal Section 8 rental assistance contracts.

### **Innovative and Flexible Lending Practices**

The Bank makes extensive use of innovative and flexible lending practices to serve the credit needs of this AA. The Bank offers a myriad of programs and products that have proven successful. Examiners provided examples of these significant practices earlier under the combined AA analysis.

### **INVESTMENT TEST**

Boston Private has a significant level of community development qualified investments and grants in this AA. The Bank's qualified investments demonstrate an excellent responsiveness to the AA's credit and community development needs. In addition, Boston Private makes extensive use of innovative or complex investments to support CD initiatives in this AA.

As shown in Table 24, the Bank made 597 qualified investments totaling over \$23.6 million, representing 0.6 percent of this market's total assets. This total represents a decline from the Bank's performance during each of the two previous evaluations. During the previous evaluations dated February 5, 2008, and June 13, 2011, qualified investments totaled over \$24.2 million and \$253.2 million, respectively. At the February 2008 evaluation, the Bank's assets totaled \$2.8 billion. At the June 2011 evaluation, assets increased to \$3.4 billion and \$227 million or 89.7 percent of the investment total was attributable to a new Ginnie Mae (GNMA) bond purchase. Outside of this investment during the June 2011 evaluation, the Bank's other qualified investments and grants totaled \$25 million over a 44-month evaluation period. Of this total, \$22 million was outstanding from prior period investments and \$3 million represented new investments and donations.

Although a decline is noted, the current total of \$23.6 million includes a greater number of new equity investments at 9 totaling \$9.2 million demonstrating a positive trend during the current review period. This total also includes 578 qualified grants and donations for \$1.3 million. Of the total dollar amount of \$23.6 million, 50.4 percent benefited organizations serving low- and moderate-income individuals and 30.6 percent was to preserve and create affordable housing. These investments demonstrate the Bank's excellent responsiveness to the affordable housing needs, which is one of the community development needs previously identified under *Description of Assessment Areas*. Of the total qualified investments extended by the Bank in its combined AA, the Bank extended 64.1 percent by number and 70 percent by dollar in this assessment area.

<b>Table 24 – Boston-Cambridge-Newton, MA MSA (Massachusetts AA)</b> <b>Qualified Investments and Donations</b>												
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize Or Stabilize</b>		<b>Neighborhood Stabilization Projects</b>		<b>Totals</b>	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	6	2,026	4	11,131	0	0	0	0	0	0	10	13,157
06/13/2011-12/31/2011	24	180	54	71	12	43	11	41	0	0	101	335
2012	42	1,509	82	479	31	85	18	64	0	0	173	2,137
2013	43	1,428	81	129	32	4,106	17	56	0	0	173	5,719
YTD 2014	41	2,084	67	108	18	47	14	50	0	0	140	2,289
<b>Totals</b>	<b>156</b>	<b>7,227</b>	<b>288</b>	<b>11,918</b>	<b>93</b>	<b>4,281</b>	<b>60</b>	<b>211</b>	<b>0</b>	<b>0</b>	<b>597</b>	<b>23,637</b>

Source: Internal Records

In addition to funded investments, the Bank also committed to two complex Massachusetts tax credit programs totaling over \$3.2 million. These two programs are unique as they require binding agreements to fund. With these agreements, the Bank sets aside funds based on its projected tax liability and the agreements to offset that liability with these credits. As long as the sellers of the credits associated with these community development projects deliver as agreed upon in the binding agreement, the Bank must fund.

Because of the manner in which the tax benefit is structured, these commitments are not reflected either as standard originations or in the net book value. Specifically, the State program is structured to require that the historic tax credit equity investor enter into a binding agreement prior to the start of construction to purchase the credits after construction is complete. Absent this binding agreement from an equity investor, other financing sources would not be able to close on their financing and allow construction to start.

## Investments

### Current Period Investments

Examples of qualified investments include the following.

- Invested \$1 million in the Massachusetts Housing Equity Fund (MHEF) XIX, another \$1 million in MHEF XX, and an additional \$2 million in MHEF XXI to provide critical low-income housing tax credit (LIHTC) equity resources that support the creation and preservation of affordable rental housing in Massachusetts, managed by the Commonwealth. Boston Private previously invested a total of \$7 million in eight MHEF funds targeted for financing multiple affordable housing developments, primarily in Eastern Massachusetts. MHEF is a financing resource on which many Massachusetts affordable housing developers rely. Boston Private has invested in these funds since 1996.
- The Bank participates in the Massachusetts Business Development Corporation (MBDC) with a \$4 million membership investment. MBDC is the oldest business development corporation in the U.S., promoting economic development and job creation in Massachusetts and New England. The organization offers a wide range of small business financing products including lines of credit, term loans, loan restructuring, short and long-term senior debt, subordinate debt,

and private equity. Membership investments help to capitalize the organization, increasing its capacity to finance Massachusetts small businesses.

- Invested \$400,000 to purchase a tax-exempt bond issued by MassHousing to finance a portion of its senior loan for Quincy Heights, a 129-unit affordable housing development sponsored by the Dorchester Bay Economic Development Corporation. The Bank also obtained a \$400,000 FHLBB Affordable Housing Program (AHP) grant for the development. To fulfill the conditions of the AHP grant, the Bank was required to finance a portion of the development. In this unique transaction, the first of its kind for MassHousing, the Bank purchased a MassHousing bond dedicated specifically to Quincy Heights to satisfy the AHP requirement and preserve this critical AHP funding.
- Purchased \$350,000 of Massachusetts Historic Tax Credits associated with the redevelopment of 27 Centre Street, a former firehouse owned by the City of Boston, as the new headquarters for YouthBuild Boston. The organization, located in a moderate-income census tract, provides hands-on vocational and academic training programs for low-income at-risk youth in Boston looking to improve the trajectory of their lives. Youth participants were involved in the design and construction of the property. The Bank also provided construction financing.
- Boston Private invested \$330,000 in the Community Development Trust (CDT), the country's only private real estate investment trust (REIT) with a public purpose. CDT has invested or committed approximately \$900 million in debt and equity capital nationally; helping to preserve or add over 32,500 units of the nation's affordable housing stock, with substantial investment in Massachusetts and California. As a private, mission-driven REIT, CDT is unique in its ability to preserve and expand the supply of affordable housing while also providing an attractive return to investors. At the time of this investment, CDT's debt and equity investments and commitments in Massachusetts totaled over \$84 million to support over 1,900 units.

#### *Prior Period Investments*

As Table 24 illustrates, the Bank maintains 10 prior period investments totaling over \$13.1 million. These investments benefit both affordable housing and community services initiatives. The following is a sample of qualified investments that the Bank continues to maintain on its books.

- In 1999, the Bank invested \$200,000 in the Boston Community Loan Fund (BCLF). The BCLF is a CDFI and was the first local CDFI in the country to sell equity equivalent investments (EQ2s). EQ2s assist CDFIs with its capitalization and are highly subordinate below market debt issued for an indeterminate term. The BCLF's purpose is to provide direct loans to community based projects and to capitalize affiliated community based financial intermediaries. The loans extended through the BCLF provide employment and services to low- and moderate- income residents. Since 1985, the BCLF has extended over \$470 million in loans to affordable housing developers and nonprofit organizations enhancing the lives of low-income individuals and families. This lending has enabled the creation of over 15,300 affordable housing units, 4,400 employment opportunities in low-income census tracts, over 1.6 million square feet of commercial real estate and community facilities stabilizing distressed communities, and prevented over 5,000 foreclosure-related evictions. The current value of the investment is \$200,000.

- In 2001, the Bank invested \$300,000 in the Massachusetts Housing and Investment Corporation's (MHIC) affordable housing and economic development lending pool. The MHIC is a CDFI and also sells EQ2s. MHIC has been in operation since 1990 and has invested in numerous affordable housing developments. In order to fulfill its mission, MHIC created an innovative program that combines loan funds on flexible terms and critical equity resources, made available from corporations such as Boston Private, to finance affordable housing and other community development projects. The current value of the investment is \$300,000.
- In 2005, the Bank purchased a \$3.5 million Qualified Zone Academy Bond (QZAB) issued by MassDevelopment. The bond supported the development of the City on a Hill Charter School, which primarily serves students living in the Mission Hill neighborhood of Boston. The current value of the investment remains the same as the initial investment.

### *Committed Investments*

The following two Massachusetts tax credit programs promote private investment and support community development.

- In 2013 and 2014, the Bank made five commitments totaling \$3.2 million in the Massachusetts State Historic Tax Credit Program. They include four affordable housing developments that preserve a total of 121 units of affordable housing. Also included is a renovation project to convert a vacant former community/youth center to a charter school in the low- and moderate-income Mattapan neighborhood of Boston that primarily serves a low- and moderate-income student population.
- In 2014, the Bank committed \$57,200 in the Massachusetts Community Investment Tax Credit Program which was created by the State in 2014. With the investment, the Bank supported 16 community development corporations that were awarded an allocation of tax credits by the Massachusetts Department of Housing and Community Development.

### **Donations**

Examples of qualified donations include the following:

Asian Community Development Corporation (ACDC): ACDC, a Boston CD corporation, offers programs to build a strong community by developing and preserving affordable rental housing for low- and moderate-income individuals, creating new homeownership opportunities, and offering other community investment programs to strengthen the community and address strong gentrification pressures that displace individuals. The organization focuses on the Chinatown neighborhood, which faces escalating housing costs and the loss of affordable housing options. The Bank donated \$16,000.

Metropolitan Boston Housing Partnership (MBHP): MBHP is Massachusetts' largest regional provider of rental housing voucher assistance, serving homeless, elderly, disabled, and low- and moderate-income individuals and families. The Bank donated \$22,000 in operating support.

Boston Earned Income Tax Credit (EITC) Coalition: The EITC Coalition provides low- and moderate-income taxpayers in Boston with free financial services. From January to April, the

Coalition provides free tax return preparation at volunteer-staffed locations around Boston to assist eligible tax-payers to receive the federal and state Earned Income Tax Credit. The Coalition also offers a year-round financial coaching program that directly involves volunteers in promoting economic empowerment in Boston communities. The Bank donated \$3,000.

**Dudley Square Main Street Program (DSMSP):** DSMSP is a targeted economic development initiative of the City of Boston in cooperation with the National Trust for Historic Preservation, local merchants, residents, community organizations, and Boston Private as corporate sponsor. The program focuses on revitalizing this commercial area in the Roxbury neighborhood of Boston through design, organization, planning, economic development, and safety. Boston Private participates through both financial contributions and community service. Quarterly, Boston Private co-hosts unique breakfast networking events with DSMSP at a local nonprofit or restaurant and covers the food cost. The Bank contributed \$28,000.

**Friends of the Children:** Friends of the Children serves a highly at-risk population, providing a professional, salaried mentor for youth from troubled homes. Mentoring begins in kindergarten and last for 12 years. Children are selected from consistently underperforming schools in Boston's highest-risk neighborhoods. The vast majority of students live in Dorchester, Roxbury or Mattapan, communities with high levels of violence and which collectively represent the largest concentration of child poverty in the State. Further, 90 percent of the students are from low-income families. The Bank donated \$31,000.

**Massachusetts Association of Community Development Corporations (MACDC):** MACDC is a leading community revitalization and development organization in the state, recognized nationally for its innovative initiatives. MACDC works with member organizations, all of whom are engaged in improving the lives, homes, and jobs of low- and moderate-income individuals and their communities. Boston Private works with MACDC in numerous ways to promote community revitalization in addition to funding support. The Bank provided \$13,000, as well as an additional \$11,000 for its special programs for The Alliance Against Racism and the Mel King Institute for Community Building.

**The Neighborhood Developers (TND):** TND is a Chelsea-based CD corporation that works to build vibrant and diverse neighborhoods through affordable housing, economic opportunities, services, and an integrated approach to neighborhood revitalization. TND's programs are designed to build assets in the community and for individuals and families. Boston Private financed mixed-income housing in a formerly abandoned area of Chelsea, which is now a thriving neighborhood. The Bank provided \$9,000 in grant support.

## **Responsiveness to Credit and Community Development Needs**

The Bank's qualified investments and grants exhibit an excellent responsiveness to the area's credit and community development needs. The investments in the Massachusetts Housing Equity Funds, for example, helped increase or retain numerous affordable housing opportunities in the local area. The investments in the MBDC show responsiveness to economic development needs. In addition, the Bank's substantial contributions to local charitable and social service organizations demonstrate a commitment to the local area's welfare.

## **Community Development Initiatives**

Boston Private makes excellent use of innovative or complex investments to support community development initiatives. Many of the Bank's investments maintain characteristics that make

them less likely to be routine investments. Characteristics such as complexity, unusual risk factors, generally lower return expectations, complicated tax structures and underwriting, and long-term administrative costs make the investments less likely to be funded by other corporations. For example, Boston Private's purchase of a MassHousing issued tax-exempt bond to develop 129 units of affordable housing was the first of its kind for MassHousing. It also required the Bank to finance the project and obtain an Affordable Home Program (AHP) grant through the FHLBB. Additional information about the Bank's significant involvement in grant writing is detailed in the Service Test.

## **SERVICE TEST**

The Bank's performance under the Service Test for this AA is stronger than its overall performance. Products and services available throughout this AA are similar to those offered throughout the combined AA. The Bank's systems for delivering retail banking services are reasonably accessible to essentially all portions of the AA. The institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems. The Bank's low-cost checking and savings account, as well as the convenience of its automated telephone banking service, customer service center, and website, do not vary in a way that inconveniences certain portions of this AA. The Bank is a leader with respect to its community development service involvement. The following details the institution's services.

### **Retail Banking Services**

The Bank operates 11 of its branch offices and a loan production office within Massachusetts. Of these branch offices, 1 (9.1 percent) is located in a low-income tract, 1 (9.1 percent) is located in a middle-income tract, and 9 (81.8 percent) are located in upper-income tracts. There are no branches in the moderate-income census tracts. The moderate-income tracts comprise 22.5 percent of total tracts and 22.2 percent of the population and 15.7 percent of businesses reside within these tracts.

Boston Private operates ATMs and non-deposit taking remote ATMs in this AA. In total, the Bank operated 24 ATMs throughout the AA. Of these ATMs, 21 were at branch locations and the loan production office. The remaining three ATMs were standalone in upper-income tracts in Massachusetts.

Since the prior evaluation, Boston Private opened a new office in Boston in an upper-income census tract at the Prudential Center. The Bank did not close any branches.

Banking offices are open Monday through Friday from 8:30 a.m. to 4:00 p.m. The main office is open 8:30 a.m. to 5:00 p.m.; however, the teller window closes at 4:00 p.m. These hours are comparable to other banks in the immediate area. Boston Private offers a wide range of services for its retail, small business, and commercial customers.

### **Community Development Services**

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical assistance. The following are examples of the Bank's community development services in the Massachusetts AA.

### *Officer Involvement in Local Community Organizations*

Approximately 47 officers and employees of the Bank are involved in nearly 76 local community development and non-profit organizations in various capacities. Bank personnel serve as directors, officers, treasurers, committee members, and volunteers, and provide many services such as fundraising, public relations, finance, and administrative support. In many cases, involvement in these organizations has led to loans and grants. The following are notable examples of this extensive involvement.

- A Community Investment Director and a Community Investment Officer are members of the Massachusetts Community Banking Council Affordable Mortgage Lending Committee, which monitors and analyzes key affordable home mortgage issues in the Greater Boston area.
- A loan officer serves on the Massachusetts Housing Partnership Loan Committee.
- A loan officer serves as the Treasurer of the Community Economic Development Assistance Corporation (CEDAC). CEDAC is a public-private community development financial institution that provides technical assistance, pre-development lending, and consulting services to non-profit organizations involved in community development.
- Several Bank officers serve as members of the Commonwealth Housing Task Force, a group dedicated to increasing the production of affordable housing in Massachusetts.
- A loan officer serves on the Small Business Loan Committee of the Dorchester Bay Economic Development Corporation.
- A Bank officer serves on the Finance Committee of the Judge Baker Children's Center, a facility serving at risk low-income youth in Greater Boston.
- A Bank loan officer serves on the Board of Directors of ETC Development Corporation. ETC Development manages and develops affordable housing for low-income and elderly populations.
- A Bank officer served as Treasurer, Executive Committee member, and Economic Restructuring Committee member of the Hyde-Jackson Square Main Street Program, an economic development initiative by merchants and local residents working cooperatively with the City of Boston to revitalize this low-income area of Jamaica Plain. Community Investment Officer also serves on the Board of Directors.
- A CRA assistant serves as co-Chair of the Board of Directors of the Codman Square Neighborhood Development Corporation, an organization dedicated to improving the quality of life for the residents of the Codman Square neighborhood of Boston; a moderate-income area. The organization's initiatives encompass real estate development, economic development, and community planning and building. The program's goal is to revitalize and stabilize the area.

### *Financial Literacy Training*

The Bank partners with numerous non-profit organizations and public agencies involved in low- and moderate-income communities to provide financial literacy education. Topics typically covered in the training include basic banking, budgeting, and credit issues. The following are some examples of the financial literacy training provided by the Bank.

- A loan officer participated with Kipp Academy (serves underprivileged communities) and Families United in Educational Leadership (FUEL) in a partnership where parents of students from Kipp participate in opening individual deposit accounts (IDA) to save for their children's college education. As part of the program, the parents attend financial education classes that include financial planning, understanding credit, and homeownership education.
- The Bank hosts Junior Achievement and high school students and staff members teach financial education to groups of twenty to twenty-five students. Some of the high schools included Randolph High School, West Roxbury High School, and East Boston High School. A majority of these students qualify for free or reduced-price meals under the USDA's National School Lunch Program.
- During 2011 and 2012, a Bank officer taught financial education classes for low- and moderate-income individuals in partnership with the JFY Networks and Urban Edge Development Corporation in Boston. Classes were based on the FDIC's Money Smart for Adults Curriculum.
- A Community Investment Officer teaches financial education classes monthly to participants in the Massachusetts Department of Transitional Assistance's Welfare to Work program in Boston and Framingham.
- A Community Investment Officer teaches financial education classes for IDA recipients of Chelsea Neighborhood Housing Services.

### *Homebuyer Counseling*

The Bank's loan officers regularly collaborate with non-profit agencies in providing first-time homebuyer counseling classes. In this AA, the Bank conducted 96 seminars for 19 organizations with 4,075 participants attending. Seminars were held during the entire evaluation period. These include municipalities and government agencies that offer counseling programs and are actively engaged in helping first-time homebuyers. The Bank estimates that it finances between two and five lower-income first-time homebuyers resulting from each first-time homebuyer seminars. The Bank partnered with Action Boston Community Development, Brookline Redevelopment Authority, Allston Brighton Community Development Corporation, the City of Somerville, Malden Redevelopment Authority, Merrimack Valley Housing Partnership, Neighborhood of Affordable Housing, Nuestra Comunidad, Quincy Community Action Program, and Somerville Community Corporation.

### *Business Seminars*

The Bank participates in training sessions for small businesses on financing and other issues that impact small businesses. Bank loan officers also participate on panels that provide technical assistance on banking to small businesses. The following are some examples of assistance provided to the area's businesses.



- One or more Bank loan officers participate annually in a small business exhibition and resource fair sponsored by the U. S. Small Business Administration (SBA).
- A Bank loan officer participates as a member of the Private Sector Network of Interise, a Boston-based nonprofit that seeks to stimulate economic revitalization in low-income communities by providing small businesses with education to help them grow.
- A commercial loan officer participated as a panelist in an event sponsored by the SBA for its first E200 class, the SBA's intensive training program to assist participating inner-city businesses grow.
- The Bank co-sponsored the Women's Enterprise Initiative (WEI), a partnership of the City of Newton and the New England Women Business Owners. The Business Plan forums occur three times a year and offer the opportunity for a woman entrepreneur to present her business plan for evaluation to a panel of experts and an audience of business owners and others.
- A Bank loan officer participates as a speaker in information sessions for entrepreneurs interested in financing for their small businesses offered by the Massachusetts Small Business Development Center (MSBDC) at Salem State University.
- A Community Investment Officer presented at a small business seminar in Jamaica Plain co-sponsored by the Jamaica Plain Neighborhood Development Corporation and three Jamaica Plain Main Street Programs, including the Hyde Jackson Square Main Street Program.

#### *Job Training and Placement*

- Bank staff regularly performs mock interviews as part of the YMCA Training, Inc., certification program for predominantly low-income individuals seeking employment opportunities.
- In the summer of 2014, the Bank hired a high school student referred through the Bank's partnership with the Boston Private Industry Council (PIC). When the Bank first hired the intern, it was aware that he was homeless and had no family in the country. Working with the PIC and the Pine Street Inn, the Bank found him a safer shelter option at a local homeless shelter for young adults and encouraged him to complete his high school classes. After graduation, he accepted a teller position in September.
- During 2011 through 2014, Boston Private supported the EITC of the City of Boston. The Bank hosts Financial Coaching and Credit Advising trainings for the City of Boston's EITC Coalition. The participants of these trainings volunteer at the EITC sites. Staff volunteers in the "Financial Coaching: Strengthen Your Financial Future Program." The program offers participants a wide range of free services such as credit advising, budgeting, banking information, benefits screening, and referral assistance.

#### *Grant Writing*

- Boston Private actively uses the Federal Home Loan Bank of Boston's (FHLBB) services, including its Equity Builder Program (EBP), Affordable Housing Program (AHP), and Community Development Advance (CDA) program. The Bank also participates with the FHLBB in special programs aimed to promote community

development. For low- and moderate-income homebuyers, the EBP provides direct grants for down payments and closing cost assistance. AHP monies provide gap financing and bring direct grants to developers of very low-income housing. Most banks are not active sponsors because of the substantial involvement required, the technical expertise necessary, and the long-term responsibilities involved. CDAs provide lower cost financing for eligible projects, serving lower income populations or creating jobs and services in its communities.

- Members may use EBP grants, up to \$15,000 currently per eligible household to provide downpayment of closing cost assistance. During the evaluation period, the Bank assisted 25 first-time homebuyers with grants totaling \$182,979.
- The AHP is a highly competitive funding program and during the evaluation period, the Bank received three new AHP awards totaling approximately \$1.3 million. These three awards assisted in providing financing for the preservation or construction of 115 units of affordable housing. Additionally, the Bank continues to manage 23 projects for which AHP grants had been awarded. These grants were used to finance 1,440 units of affordable housing for low- and moderate-income individuals.
- The Bank also received approval from the FHLBB for CDAs totaling \$38.5 million for loans associated with affordable housing, economic development initiatives, and services for low- and moderate-income individuals. This allowed the Bank to offer a lower cost source of capital.

#### *Other*

- Through its Social Investing Series initiatives, Boston Private seeks to promote the health and vitality of nonprofit organizations serving their communities through the provision of affordable housing creation and preservation, economic development, social and human service programs, and neighborhood stabilization and revitalization.

# STATE OF CALIFORNIA

## ***CRA RATING FOR California:***

***The Lending Test is rated:***

***The Investment Test is rated:***

***The Service Test is rated:***

***Satisfactory***

***Low Satisfactory***

***High Satisfactory***

***Low Satisfactory***

The Bank's CRA performance within California is consistent with its overall performance.

## **SCOPE OF EXAMINATION**

The products and time period indicated within the previously provided scope is applicable, except that only loans, qualified investments, and CD services originated, made, or provided within California are considered in this section.

The Bank designated two AAs within California. These include the San Francisco AA (San Jose-San Francisco-Oakland, CA CSA) and Southern California AA (Los Angeles-Long Beach, CA CSA). The Bank is more active and established in the San Francisco AA due to a greater allocation of resources and staffing. Each AA is large, containing numerous cities and towns with diverse demographics. Examiners performed full-scope reviews for each AA.

## **DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN *California***

During the evaluation period, the Bank operated 12 (44.4 percent) of its 27 branches in California. This increased to 52.2 percent due to the branch closures in Washington State.

Table 26 illustrates total population, families, and housing demographics based on the 2010 Census data within the designated California area.

<b><i>Table 26 – Combined California (San Francisco and Southern California AAs)</i></b>						
<b><i>Demographics</i></b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
Geographies (CTs)	3,607	10.0	26.4	29.8	32.5	1.3
Population by Geography	15,457,522	9.1	27.2	31.4	32.1	0.2
Owner-Occupied Housing by Geography	5,551,596	3.1	16.7	33.3	46.9	< 0.1
Family Distribution by Income Level	3,450,185	24.0	16.5	18.2	41.3	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,396,406	14.9	37.8	30.0	17.3	0.0
Median Family Income FFIEC Adjusted Median Family Income (MFI) for 2012 Families Below Poverty Level		\$80,989 \$76,752 10.4%	Median Housing Value Unemployment Rate		\$613,790 8.3%	

*Source: 2010 U.S. Census*

The California AA contains 3,607 census tracts, of which 10.0 percent are low-income, 26.4 percent are moderate-income, 29.8 percent are middle-income, 32.5 percent are upper-income, and 1.3 percent are NA. The total population of 15,457,522 is comprised of 3,450,185 families. Of the families in this AA, 24.0 percent are low-income, 16.5 percent are moderate-income, 18.2 percent are middle-income, and 41.3 percent are upper-income. The median family income is

\$80,989, the median housing value is \$576,734, 10.4 percent of families are below the poverty level, and the unemployment rate is 8.3 percent.

Table 27 indicates the number and percentage of nonfarm businesses by census tract income level and by business annual revenue for the California AA.

<b>Table 27 – Combined California (San Francisco and Southern California AAs)</b>				
<b>Nonfarm Business Demographics</b>				
<b>Business Demographics</b>	<b>2012</b>		<b>2013</b>	
<i>By Census Tract</i>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	130,634	8.2	117,907	8.3
<b>Moderate</b>	294,450	18.5	262,133	18.4
<b>Middle</b>	450,680	28.4	404,114	28.4
<b>Upper</b>	699,724	44.1	628,142	44.1
<b>Income NA</b>	11,962	0.8	11,124	0.8
<b>Total</b>	<b>1,587,450</b>	<b>100.0</b>	<b>1,423,420</b>	<b>100.0</b>
<i>By Annual Revenue</i>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$1 million</b>	1,147,128	72.2	1,031,086	72.4
<b>&gt; \$1 million</b>	67,794	4.3	66,190	4.7
<b>Revenue Unknown</b>	372,528	23.5	326,144	22.9
<b>Total</b>	<b>1,587,450</b>	<b>100.0</b>	<b>1,423,420</b>	<b>100.0</b>

Source: 2012 and 2013 D&B data

The percentage of nonfarm businesses located in low- and moderate-income tracts remained unchanged from 2012 to 2013. The percentage of businesses with revenues of \$1 million or less also remained unchanged from 2012 to 2013.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *California***

### **LENDING TEST**

#### **Lending Activity**

Lending levels reflect adequate responsiveness to AA credit needs. During 2012, Boston Private's first full year in this new market, it captured .06 percent of the home mortgage market and was ranked 155<sup>th</sup> of 901 HMDA-reportable institutions that originated or purchased 738,322 home mortgage loans in the AAs. The California area is extremely competitive and dominated by a handful of well-established and well-known nationwide lenders and mortgage companies. Specifically, Wells Fargo Bank, JP Morgan Chase Bank N.A., Flagstar Bank, Bank of America, and Citibank NA collectively accounted for 41.0 percent of the total market share for 2012.

Boston Private's market share of .06 percent is less than the overall market share within its combined AA of .10 percent and its Massachusetts AA market share of .42 percent. This indicates that the Bank is for the most part penetrating this area similarly as in its combined AAs, but its penetration is significantly less than that in its Massachusetts AA. This is expected given the Bank did not operate in this market until 2011.

Housing is very expensive in California; therefore, there is great demand for affordable housing, and the use of innovative and flexible lending practices is crucial. In response, the Bank is creating programs and obtaining participating lender status with various state and local agencies and organizations. As these products are relatively new and most were not available until mid-

to late-2013, the Bank's activity levels are limited. Further, although the programs were available starting in mid- or late-2013, the Bank applied for participation 6 to 12 months prior to the approval date. Lastly, the lack of dedicated loan officers until later in the evaluation period further constrained the Bank's lending in this area, particularly in the Southern California AA.

## Geographic Distribution

The geographic of loans reflects adequate dispersion throughout this AA.

### Home Mortgage Loans

The Bank achieved adequate dispersion of home mortgage loans throughout the assessment area, particularly in low- and moderate-income census tracts, when compared to demographics and aggregate lending data. Refer to Table 28 for specific information concerning the distribution of home mortgage loans by census tract income level.

<b>Table 28 – Combined California (San Francisco and Southern California AAs)</b>							
<b>Home Mortgage Loans by Census Tract Income Level</b>							
Year	Census Tract Income Level	AA Owner Occupied Housing Units	HMDA Aggregate Lending	Bank Lending		Dollar Volume of Loans \$(000s)	
		% of #	% of #	#	%	\$	%
2012	Low	3.1	2.6	13	3.1	13,451	2.6
	Moderate	16.7	13.1	17	4.1	24,757	4.9
	Middle	33.3	30.9	75	17.9	57,033	11.2
	Upper	46.9	53.4	314	74.9	413,308	81.3
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>419</b>	<b>100.0</b>	<b>508,549</b>	<b>100.0</b>
2013	Low	3.1		9	2.6	15,233	3.8
	Moderate	16.7		28	7.9	19,118	4.8
	Middle	33.3		67	18.9	56,634	14.3
	Upper	46.9		250	70.6	305,632	77.1
	<b>Total</b>	<b>100.0</b>		<b>354</b>	<b>100.0</b>	<b>396,617</b>	<b>100.0</b>
Q1Q2 2014	Low	3.1		7	6.9	3,230	2.8
	Moderate	16.3		12	11.8	3,728	3.3
	Middle	33.4		28	27.4	29,067	25.5
	Upper	47.2		55	53.9	77,806	68.4
	<b>Total</b>	<b>100.0</b>		<b>102</b>	<b>100.0</b>	<b>113,831</b>	<b>100.0</b>

Source: 2012, 2013, and Q1Q2 2014 HMDA LARs; 2012 HMDA Aggregate Data; and 2010 U.S. Census data.

Table 28 shows that the Bank's lending amongst low- and moderate-income tracts is generally increasing, with a slight decline among the low-income tracts during 2013. During 2012, the Bank penetrated the low-income areas better than the moderate-income tracts and was in line with aggregate and demographic data. The Bank ranked 142<sup>nd</sup> (461 lenders) with a market share of 0.07 percent for lending within the area's low-income tracts and 287<sup>th</sup> (635 lenders) with a market share of 0.02 percent in moderate-income census tracts.

Although the Bank's lending in the moderate-income tracts during 2012 was less than aggregate and demographic data, the percentage of loans made in the moderate-income tracts during 2013 increased. This increase was nearly twice that of 2012, and a further increase occurred during 2014.

The Bank's overall geographic distribution of loans reflects adequate penetration throughout this area given that the Bank did not establish its California operations until mid-2011, its inherited branch structure is mainly located in middle- and upper-income census tracts, and the expanded AAs resulted in additional low- and moderate-income tracts.

### *Small Business Loans*

The Bank achieved adequate dispersion of its sampled small business loans throughout the assessment area. Refer to Table 29 for specific information concerning the distribution of small business loans among the census tract income categories.

<b>Table 29 – Combined California (San Francisco and Southern California AAs)</b>							
<b>Small Business Loans by Census Tract Income Level</b>							
<b>Year</b>	<b>Census Tract Income Level</b>	<b>AA Businesses</b>	<b>CRA Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$(000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	Low	8.2	7.2	2	15.3	1,075	22.5
	Moderate	18.5	17.2	1	7.7	200	4.2
	Middle	28.4	28.3	5	38.5	2,000	41.9
	Upper	44.1	46.7	5	38.5	1,500	31.4
	Income NA	0.8	0.6				
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>4,775</b>	<b>100.0</b>
2013	Low	8.3		2	14.3	863	12.8
	Moderate	18.4		2	14.3	875	13.0
	Middle	28.4		3	21.4	2,335	34.7
	Upper	44.1		7	50.0	2,660	39.5
	Income NA	0.8					
	<b>Total</b>	<b>100.0</b>		<b>14</b>	<b>100.0</b>	<b>6,733</b>	<b>100.0</b>

Source: Bank Data, 2012 CRA Aggregate Data, and 2010 U.S. Census data.

The Bank's lending within the low-income census tracts is better than aggregate and demographic data. Conversely, the Bank's lending in the moderate-income census tracts during 2012 was significantly less than both the aggregate and demographic data and less than demographics in 2013, but increasing. The increase reflects the Bank's outreach efforts to attract applications from businesses residing in moderate-income tracts.

### **Borrower Distribution**

The overall distribution of borrowers reflects, given the product lines offered by Boston Private, adequate penetration among retail customers of different income levels and business customers of different sizes within the California AAs.

### *Home Mortgage Loans*

The Bank achieved an adequate distribution among retail customers of different income levels. Refer to Table 30 for information concerning the distribution of home mortgage loans by borrower income.

<b>Table 30 – Combined California (San Francisco and Southern California AAs) Home Mortgage Loans by Borrower Income Level</b>							
<b>Year</b>	<b>Income Classification</b>	<b>AA Families</b>	<b>HMDA Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$ (000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	Low	24.0	4.1	4	1.0	664	0.1
	Moderate	16.5	10.8	11	2.6	2,658	0.5
	Middle	18.2	19.6	24	5.7	10,566	2.1
	Upper	41.3	56.0	352	84.0	434,146	85.4
	Income NA	0.0	9.5	28	6.7	60,515	11.9
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>419</b>	<b>100.0</b>	<b>508,549</b>	<b>100.0</b>
2013	Low	24.0		5	1.4	459	0.1
	Moderate	16.5		17	4.8	3,473	0.9
	Middle	18.2		21	5.9	8,160	2.1
	Upper	41.3		91	82.2	342,797	86.4
	Income NA	0.0		20	5.7	41,728	10.5
	<b>Total</b>	<b>100.0</b>		<b>354</b>	<b>100.0</b>	<b>396,617</b>	<b>100.0</b>
Q1Q2 2014	Low	23.9		0	0.0	0	0.0
	Moderate	16.4		14	13.7	2,665	2.3
	Middle	18.2		11	10.8	3,584	3.1
	Upper	41.5		68	66.7	84,189	74.0
	Income NA	0.0		9	8.8	23,393	20.6
	<b>Total</b>	<b>100.0</b>		<b>102</b>	<b>100.0</b>	<b>113,831</b>	<b>100.0</b>

Source: 2012, 2013, and Q1Q2 2014 HMDA LARs; 2012 HMDA Aggregate Data; and 2010 U.S. Census data.

Table 30 illustrates that the Bank's lending to low- and moderate-income borrowers increased from 2012 to 2013, with lending to moderate-income borrowers further increasing during the first six months of 2014.

During 2012, the Bank's first full year in this new area, its market share of the mortgages extended to both low- and moderate-income borrowers was less than 0.1 percent for each income level and ranked 262<sup>nd</sup> (430 lenders) and 276<sup>th</sup> (534 lenders), respectively. The Bank purchased all four mortgages extended to low-income borrowers and two of the eleven mortgages extended to moderate-income borrowers from HabitatEBSV. These were complex transactions. The borrowers received substantial assistance and support from HabitatEBSV and Santa Clara County, as well as the City of Santa Clara and the Federal Home Loan Bank of San Francisco with either deed-restricted land grants or restrictive funding support in order for HSBSV to make the loan. Boston Private's loan purchase also enabled the organization to continue to help more families by building new homes through this recapitalization initiative, simultaneously responding to the critical need for affordable housing in this area.

In 2013, the Bank did not purchase any loans, originating all 22 loans to low- and moderate-income borrowers. During 2014, although the Bank did not extend any loans to low-income individuals, the percentage of loans to moderate-income borrowers was more than double that in 2013, reflecting a positive trend. Given that housing is expensive and, consequently, not affordable for many lower income individuals, management continues to create and become involved with programs to help these individuals obtain homeownership. The introduction of these programs during the latter portion of the evaluation period is reflected in the increasing number of loans extended to moderate-income borrowers. Although no loans were extended to low-income individuals, this may be explained by borrower income limitations and the lack of affordable housing in the AAs.

## Small Business Loans

The Bank's lending reflects poor penetration among business customers of different sizes. The distribution of small business loans by gross annual revenue level is depicted in Table 31.

<b>Table 31 – Combined California (San Francisco and Southern California AAs) Small Business Loans by Gross Annual Revenues</b>							
Year	Gross Annual Revenue	AA Businesses	CRA Aggregate Lending	Bank Lending		Dollar Volume of Loans \$(000s)	
		% of #	% of #	#	%	\$	%
2012	≤ \$1,000,000	72.2	45.6	2	15.4	300	6.3
	> \$1,000,000	4.3	54.4	11	84.6	4,475	93.7
	<b>Sub-Total</b>	<b>76.5</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>4,775</b>	<b>100.0</b>
	Revenues Not Reported	23.5	0.0				
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>4,775</b>	<b>100.0</b>
2013	≤ \$1,000,000	72.4		3	21.4	1,488	22.1
	> \$1,000,000	4.7		11	78.6	5,245	77.9
	<b>Sub-Total</b>	<b>77.1</b>		<b>14</b>	<b>100.0</b>	<b>6,733</b>	<b>100.0</b>
	Revenues Not Reported	22.9					
	<b>Total</b>	<b>100.0</b>		<b>14</b>	<b>100.0</b>	<b>6,733</b>	<b>100.0</b>

Source: Bank Data, 2012 CRA Aggregate Data, and 2010 U.S. Census data.

Although an increase from 2012 to 2013 is noted in the percentage of loans extended to businesses with gross annual revenues of \$1 million or less, the Bank's lending to small businesses was significantly less than aggregate and demographic data. As previously noted, an overwhelming majority of small business lending occurred in the Massachusetts AA.

## Community Development Lending

The Bank is a leader in making CD loans within the California AAs. This lending reflects excellent responsiveness to the community development needs of the California AAs. The Bank originated \$188 million in CD loans within the California AAs and the broader area including these AAs, which represents 34.6 percent of the Bank's total CD lending.

## Innovative and Flexible Lending Practices

The Bank makes limited use of innovative and flexible lending practices to serve the credit needs of the California AAs. As previously detailed under the combined AA analysis, the Bank recently introduced some programs, with much of that activity occurring in the San Francisco AA.

## INVESTMENT TEST

The Bank's performance under the Investment Test for the California AAs is consistent with Boston Private's overall Investment Test performance.

The Bank has a significant level of qualified community development investments and grants throughout the AAs in California. The institution exhibits good responsiveness to the AA's



community development needs. In addition, Boston Private makes significant use of innovative or complex investments to support CD initiatives in the California AAs.

As illustrated in Table 32, the Bank made 309 qualified investments and grants totaling over \$10 million, representing 0.4 percent of this market area's total assets. This total includes 18 new equity investments (\$9.3 million), 290 qualified grants and donations (\$728,000), and one prior period qualified investment still outstanding (\$19,000).<sup>4</sup> Of the qualified investments, the Bank did not make any new equity investments in 2012. Of the total dollar amount, 82.7 percent benefited efforts to create affordable housing opportunities in the California AAs. These investments demonstrate good responsiveness to the affordable housing needs within the AAs. Of total qualified investments, the Bank extended 48.4 percent by number and 29.7 percent by dollar in this area. Discussions of Bank performance in the San Francisco AA and Southern California AA include examples of qualified investments and donations.

<b>Table 32 - Combined California (San Francisco and Southern California AAs) Qualified Investments and Donations</b>												
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize Or Stabilize</b>		<b>Neighborhood Stabilization Projects</b>		<b>Totals</b>	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	1	19	0	0	1	19
06/13/2011-12/31/2011	4	6	25	61	3	252	1	3	0	0	33	322
2012	14	42	50	119	2	4	2	6	0	0	68	171
2013	26	3,733	55	134	17	51	9	373	0	0	107	4,291
YTD 2014	36	5,084	45	80	13	37	6	16	0	0	100	5,217
<b>Totals</b>	<b>80</b>	<b>8,865</b>	<b>175</b>	<b>394</b>	<b>35</b>	<b>344</b>	<b>19</b>	<b>417</b>	<b>0</b>	<b>0</b>	<b>309</b>	<b>10,020</b>

Source: Internal Records

## Responsiveness to Credit and Community Development Needs

The Bank's qualified investments and grants exhibit good responsiveness to the area's credit and community development needs. In particular, the Bank's investments in the Enterprise Housing Fund and Merritt Community Capital Funds, as well as an overwhelming majority of its other investments have helped add or retain affordable housing opportunities in the local area. In addition, the Bank's substantial contributions to local charitable and social service organizations demonstrate a commitment to the local area's welfare. The Bank's qualified investments generally did not respond to the small business credit needs at the same level.

## Community Development Initiatives

Boston Private makes significant use of innovative or complex investments to support community development initiatives. For example, the Bank's purchase of low-income housing tax credits through the WNC Institutional Tax Credit and Merritt Community Capital Funds have assisted in creating and preserving affordable housing.

<sup>4</sup> This outstanding qualified investment was inherited with the Borel Private Bank & Trust Company acquisition.

## **SERVICE TEST**

The Bank's performance under the Service Test for the California AAs is below the overall performance under this criterion.

Delivery systems are reasonably accessible to essentially all portions of the assessment area. Although the branch network is somewhat limited given the size of the assessment areas, the Bank inherited the California branch footprint from the acquired banks, and alternative delivery systems are available to help compensate somewhat for any immediate lack of access to banking facilities. The San Francisco AA branch network is dispersed throughout the AA; whereas, the branch network in the Southern California AA is based in the lower southern part of the AA.

To the extent of the changes made within the CA AAs, the opening and closing of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Services and business hours do not vary in a way that inconveniences certain portions of the area. The institution provided an adequate level of community development services. The discussions of performance by AA include specific CD services in California.

### **Retail Banking Services**

#### *Accessible of Delivery Systems*

During 2012, the Bank operated 10 branch offices within CA. During 2013, the Bank expanded its branch network to 12.

Examiners compared the geographic distribution of the Bank's branches in both 2012 and 2013 to the geographic distribution of census tracts and AA population to determine the accessibility of its delivery systems. Table 33 presents this information.

<b><i>Table 33 - Combined California (San Francisco and Southern California AAs) Distribution of Bank Offices by CT Income Level, Population, and Businesses</i></b>					
<b>Census Tract Income Category</b>	<b>Census Tracts</b>	<b>Bank Branches 2012/2013</b>		<b>Population</b>	<b>Businesses 2012/2013</b>
	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Low</b>	10.0	2/3	20%/25%	9.1	8.2%/8.3%
<b>Moderate</b>	26.4	1/1	10%/8.3%	27.2	18.5%/18.4%
<b>Middle</b>	29.8	1/2	10%/16.7%	31.4	28.4%/28.4%
<b>Upper</b>	32.5	6/6	60%/50%	32.1	44.1%/44.1%
<b>Income NA</b>	1.3	0	0	0.2	0.8%/0.8%
<b>Total</b>	<b>100.0</b>	<b>10/12</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Source: 2010 U.S. Census data; internal Bank records; and 2012 and 2013 D&B data*

As Table 33 illustrates, upper-income tracts contain the largest share of branches, followed by low-income tracts. Each branch maintains an ATM, and there are no standalone ATMs.

### *Changes in Branch Locations*

During the evaluation period, the Bank relocated two branches and opened two others. The two branches closed and relocated were in upper-income tracts and the two branches opened were in a low-income tract and a middle-income tract. In the San Francisco AA, the Bank relocated the Palo Alto office to another location in Palo Alto that was less than 0.5 miles away. In the Southern California AA, the Bank relocated the Westlake Village office to another location in Westlake Village that was approximately 3 miles away.

### *Reasonableness of Hours/Services Reasonableness of Business Hours and Services*

The banking offices in the San Francisco AA are open Monday through Thursday 9:00 a.m. to 4:00 p.m. and Friday 9:00 a.m. to 6:00 p.m. In the Southern California AA, branches are open Monday through Friday 9:00 a.m. to 4:30 p.m. These hours are comparable to other banks in these respective areas.

Boston Private offers a wide range of services for its retail (including low- and moderate-income), small business, and commercial customers. The Bank is a full-service institution offering a variety of credit, deposit, investment, and special services. Products and services are available at all office locations.

### **Community Development Services**

Given the assessment area needs and opportunities, as well as the size and resources of the institution, Boston Private provided an adequate level of CD services. Over 72 officers and employees are involved with more than 72 organizations that promote CD. A majority of these activities are in the San Francisco AA.

# SAN JOSE-SAN FRANCISCO-OAKLAND, CA METROPOLITAN AREA

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN *San Jose-San Francisco-Oakland, CA Combined Statistical Area (CSA)*

During the evaluation period, the Bank operated six branch offices, or 22.2 percent of its total offices, in the San Francisco AA. This AA consists of the contiguous counties of San Francisco, San Mateo, Santa Clara, and Alameda, which are part of the San Jose-San Francisco-Oakland, CA CSA. The Bank operates one office in San Francisco County, two in San Mateo County, and three in Santa Clara. The Bank added Alameda County at the beginning of 2014, although it does not operate any branches in this County. Alameda County contains 58 and 84 low- and moderate-income tracts, respectively. Summarized in Table 34 is pertinent demographic information for the San Francisco AA.

<i>Table 34 – San Jose-San Francisco-Oakland, CA CSA (San Francisco AA) Demographics</i>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
Geographies (CTs)	1,087	12.8	21.7	34.9	30.0	0.6
Population by Geography	4,815,599	11.8	22.8	36.3	29.0	0.1
Owner-Occupied Housing by Geography	1,846,462	5.1	16.7	39.1	39.1	0.0
Family Distribution by Income Level	1,084,379	24.3	16.5	18.9	40.3	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	442,083	18.5	30.1	34.9	16.5	0.0
Median Family Income FFIEC Adjusted Median Family Income (MFI) for 2012 Families Below Poverty Level		\$100,998 \$100,538 6.6%	Median Housing Value Unemployment Rate		\$713,327 7.7%	

*Source: 2010 U.S. Census*

The San Francisco AA contains 1,087 census tracts, of which 12.8 percent are low-income, 21.7 percent are moderate-income, 34.9 percent are middle-income, and 30.0 percent are upper income. The total population of 4,815,599 is comprised of 1,084,379 families. Of the families in this AA, 24.3 percent are low-income, 16.5 percent are moderate-income, 18.9 percent are middle-income, and 40.3 percent are upper-income. The median family income is \$100,998, the median housing value is \$672,833, 6.6 percent of families are below the poverty level, and the unemployment rate is 7.7 percent.

As of August 2014, the Bureau of Labor Statistics reported the unemployment rates for San Francisco County at 4.7 percent, San Mateo County at 4.3 percent, Santa Clara County at 5.5 percent, and Alameda County at 5.5 percent.

To determine the distribution of HMDA loans by borrower income level, the following FFIEC-calculated MFIs detailed in Table 35 were used, as applicable.

<b>Table 35 – San Jose-San Francisco-Oakland, CA CSA (San Francisco AA) Median Family Incomes</b>			
<b>MSA/MD</b>	<b>Name</b>	<b>2012</b>	<b>2013</b>
<b>41860</b>	San Francisco-Oakland-Fremont, CA MSA		
<b>36084</b>	Oakland-Fremont-Hayward, CA MD	\$93,500	\$89,200
<b>41884</b>	San Francisco-San Mateo-Redwood City, CA MD	\$103,000	\$101,200
<b>41940</b>	San Jose-Sunnyvale-Santa Clara, CA MSA	\$105,000	\$101,300

Source: Federal Financial Institution Examination Council

Table 36 indicates the number and percentage of nonfarm businesses by census tract income and by business annual revenues for the San Francisco AA.

<b>Table 36 – San Jose-San Francisco-Oakland, CA CSA (San Francisco AA) Nonfarm Business Demographics</b>				
<b>Business Demographics</b>	<b>2012</b>		<b>2013</b>	
<i>By Census Tract</i>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	64,693	12.6	59,024	12.6
<b>Moderate</b>	94,576	18.5	85,788	18.4
<b>Middle</b>	163,056	31.9	148,864	31.8
<b>Upper</b>	188,527	36.9	173,594	37.1
<b>Income NA</b>	468	0.1	453	0.1
<b>Total</b>	<b>511,320</b>	<b>100.0</b>	<b>467,723</b>	<b>100.0</b>
<i>By Annual Revenue</i>				
<b>≤ \$1 million</b>	362,696	70.9	331,474	70.9
<b>&gt; \$1 million</b>	24,060	4.7	23,532	5.0
<b>Revenue Unknown</b>	124,564	24.4	112,717	24.1
<b>Total</b>	<b>511,320</b>	<b>100.0</b>	<b>467,723</b>	<b>100.0</b>

Source: 2012 and 2013 D&B data

According to D&B data, there were 511,320 and 467,723 nonfarm businesses within the AA during 2012 and 2013, respectively. The percentage of nonfarm businesses within low and moderate-income tracts remained unchanged from 2012 to 2013. The percentage of nonfarm businesses with \$1 million or less in annual revenue also remained unchanged from 2012 to 2013.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN San Francisco AA**

### **LENDING TEST**

#### **Lending Activity**

During 2012, Boston Private originated 298 home mortgage loans and 12 of the sampled small business loans in this area. In 2013, the number of home mortgage originations declined to 236 and the number of small business loans decreased slightly to 11. Given the Bank's recent entry into this market, these lending levels reflect adequate responsiveness to the AA's credit needs. Based on its 2012 originations, the Bank captured 0.1 percent of the home mortgage loan market

and was ranked 89<sup>th</sup>. The top ten lenders by HMDA originations and purchases collectively accounted for 58.4 percent of the total market share, illustrating the competitiveness of this market and the dominance by these lenders. These institutions included nationwide lenders such as Wells Fargo; J.P. Morgan Chase Bank, N.A.; and Bank of America, N.A.; as well as mortgage companies such as Provident Funding Solutions and Chicago Mortgage Solutions.

## Geographic Distribution

The Bank achieved adequate penetration of home mortgage and small business loans throughout the assessment area.

### Home Mortgage Loans

Boston Private's geographic distribution of home mortgage loans reflects adequate penetration throughout this area. Refer to Table 37 for specific information concerning the distribution of home mortgage loans by census tract income level.

<b>Table 37 – San Jose-San Francisco-Oakland, CA CSA (San Francisco AA)</b> <b>Home Mortgage Loans by Census Tract Income Level</b>							
Year	Census Tract Income Level	AA Owner Occupied Housing Units	HMDA Aggregate Lending	Bank Lending		Dollar Volume of Loans \$(000s)	
		% of #	% of #	#	%	\$	%
2012	Low	5.1	3.7	11	3.7	10,798	3.7
	Moderate	16.7	13.5	12	4.0	6,193	2.1
	Middle	39.1	37.0	70	23.5	52,596	17.9
	Upper	39.1	45.8	205	68.8	224,669	76.3
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>298</b>	<b>100.0</b>	<b>294,256</b>	<b>100.0</b>
2013	Low	5.1		8	3.4	15,086	6.1
	Moderate	16.7		19	8.0	9,413	3.8
	Middle	39.1		55	23.3	47,118	19.2
	Upper	39.1		154	65.3	174,611	70.9
	<b>Total</b>	<b>100.0</b>		<b>236</b>	<b>100.0</b>	<b>246,228</b>	<b>100.0</b>
Q1Q2 2014	Low	4.9		4	6.2	1,879	2.9
	Moderate	15.5		9	14.1	3,120	4.8
	Middle	39.6		22	34.4	15,976	24.7
	Upper	40.0		29	45.3	43,739	67.6
	<b>Total</b>	<b>100.0</b>		<b>64</b>	<b>100.0</b>	<b>64,714</b>	<b>100.0</b>

Source: 2012, 2013, and Q1Q2 2014 HMDA LARs; 2012 HMDA Aggregate Data; and 2010 U.S. Census data.

As shown in Table 37, the Bank's lending in the low- and moderate-income census tracts for the most part is increasing, with a slight decline in the low-income census tracts during 2013. The Bank's lending in low-income tracts is in line with the aggregate in 2012, but its lending in the moderate-income tracts was less. The Bank was ranked 102<sup>nd</sup> (345 lenders) with a market share of 0.10 percent for lending within the area's low-income tracts and 186<sup>th</sup> (447 lenders) with a market share of 0.03 percent in moderate-income census tracts.

Despite unfavorable comparisons to aggregate lending and demographic data, the Bank's penetration is adequate given the following factors. The Bank maintains a limited presence in moderate-income tracts, its California operations were not established until mid-2011, and the expansion into Alameda County resulted in an additional 84 moderate-income tracts despite no

branch in this county. Furthermore, Bank lending in the moderate-income tracts during 2013 was double that of 2012 levels, with further increases noted during the first six months of 2014.

### *Small Business Loans*

The Bank achieved adequate penetration of small business loans throughout the assessment area based on the loan sample. Refer to Table 38 for specific information concerning the distribution of small business loans among the census tract income categories.

<b>Table 38 – San Jose-San Francisco-Oakland, CA CSA (San Francisco AA)</b>							
<b>Small Business Loans by Census Tract Income Level</b>							
<b>Year</b>	<b>Census Tract Income Level</b>	<b>AA Businesses</b>	<b>CRA Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$(000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	Low	12.6	10.7	2	16.7	1,075	23.0
	Moderate	18.5	18.7	1	8.3	200	4.3
	Middle	31.9	33.2	5	41.7	2,000	42.8
	Upper	36.9	37.4	4	33.3	1,400	29.9
	Income NA	0.1	0.0				
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>4,675</b>	<b>100.0</b>
2013	Low	12.6		2	18.2	863	16.2
	Moderate	18.4		1	9.1	375	7.0
	Middle	31.8		3	27.3	2,335	43.8
	Upper	37.1		5	45.4	1,760	33.0
	Income NA	0.1					
	<b>Total</b>	<b>100.0</b>		<b>11</b>	<b>100.0</b>	<b>5,333</b>	<b>100.0</b>

*Source: Bank Data, 2012 CRA Aggregate Data, and 2010 U.S. Census data.*

During 2012 and 2013, the Bank's lending in the low- and moderate-income tracts increased slightly by percentage. The Bank's lending in the low-income tracts was better than that in the moderate-income tracts, as lending in low-income tracts exceeded aggregate and demographic data. Conversely, the Bank's lending in the moderate-income census tracts during 2012 was significantly less than both the aggregate and demographic data. As previously stated, the expanded assessment area, the fact the Bank did not previously operate in California, and a limited branch presence in the moderate-income tracts affected loan penetration.

### **Borrower Distribution**

The overall distribution of borrowers reflects, given the product lines offered by Boston Private, adequate penetration among retail customers of different income levels and business customers of different sizes within this area.

### *Home Mortgage Loans*

The Bank's penetration of loans to borrowers of different income levels is adequate. Refer to Table 39 for information concerning the distribution of home mortgage loans by borrower income.

<b>Table 39 – San Jose-San Francisco-Oakland, CA CSA (San Francisco AA)</b> <b>Home Mortgage Loans by Borrower Income Level</b>							
<b>Year</b>	<b>Income Classification</b>	<b>AA Families</b>	<b>HMDA Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$ (000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	Low	24.3	4.6	4	1.4	664	0.2
	Moderate	16.5	12.3	11	3.7	2,658	0.9
	Middle	18.9	21.4	23	7.7	10,179	3.5
	Upper	40.3	54.6	242	81.2	254,316	86.4
	Income NA	0.0	7.1	18	6.0	26,439	9.0
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>298</b>	<b>100.0</b>	<b>294,256</b>	<b>100.0</b>
2013	Low	24.3		3	1.3	316	0.1
	Moderate	16.5		10	4.2	2,266	0.9
	Middle	18.9		20	8.5	7,992	3.2
	Upper	40.3		192	81.3	213,349	86.7
	Income NA	0.0		11	4.7	22,305	9.1
	<b>Total</b>	<b>100.0</b>		<b>236</b>	<b>100.0</b>	<b>246,228</b>	<b>100.0</b>
Q1Q2 2014	Low	24.0		0	0.0	0	0.0
	Moderate	16.3		12	18.7	2,491	3.9
	Middle	18.8		8	12.5	2,746	4.2
	Upper	40.9		38	59.4	46,147	71.3
	Income NA	0.0		6	9.4	13,330	20.6
	<b>Total</b>	<b>100.0</b>		<b>64</b>	<b>100.0</b>	<b>64,714</b>	<b>100.0</b>

Source: 2012, 2013, and Q1Q2 2014 HMDA LARs; 2012 HMDA Aggregate Data; and 2010 U.S. Census data.

As depicted in Table 39, the Bank's lending to moderate-income borrowers is increasing. Lending to low-income borrowers declined, as the Bank purchased four low-income borrower mortgages in 2012. Despite these and two purchased loans to moderate-income borrowers, the proportion of home mortgage loans extended to both low- and moderate-income was limited. This is supported by market data which shows that the Bank ranked 166<sup>th</sup> (0.03 percent market share) among the 302 HMDA reporting lenders that originated and purchased home mortgage loans to low-income borrowers and 174<sup>th</sup> out of 397 HMDA reporting lenders capturing a 0.03 percent moderate-income market. In both cases, these market share percentages are significantly less than the Bank's overall market share.

Although the Bank's lending to low- and moderate-income borrowers is less than aggregate and demographic data for the respective year, the Bank was new to this market in 2012 and still relatively new in 2013. Further, recognizing these limited levels, the Bank became approved lenders with various state and local agencies. As this approval process presented significant delays, the Bank created their own mortgage programs to assist lower income individuals. This program and others have proven successful given the increase in the number of mortgages extended to moderate-income individuals. However, despite these programs, the high cost of housing and the limited supply of affordable housing present obstacles for lower income individuals to qualify.

#### *Small Business Loans*

The Bank demonstrated a poor distribution of small business loans by businesses customers of different size. The distribution of small business loans by gross annual revenue level is depicted in Table 40.



<b>Table 40 – San Jose-San Francisco-Oakland, CA CSA (San Francisco AA)</b> <b>Small Business Loans by Gross Annual Revenues</b>							
<b>Year</b>	<b>Gross Annual Revenue</b>	<b>AA Businesses</b>	<b>CRA Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$(000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	≤ \$1,000,000	70.9	44.5	1	8.3	200	4.3
	> \$1,000,000	4.7	55.5	11	91.7	4,475	95.7
	<b>Sub-Total</b>	<b>75.6</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>4,675</b>	<b>100.0</b>
	Revenues Not Reported	24.4	0.0				
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>4,675</b>	<b>100.0</b>
2013	≤ \$1,000,000	70.9		3	27.3	1,488	27.9
	> \$1,000,000	5.0		8	72.7	3,845	72.1
	<b>Sub-Total</b>	<b>75.9</b>		<b>11</b>	<b>100.0</b>	<b>5,333</b>	<b>100.0</b>
	Revenues Not Reported	24.1					
	<b>Total</b>	<b>100.0</b>		<b>11</b>	<b>100.0</b>	<b>5,333</b>	<b>100.0</b>

Source: Bank Data, 2012 CRA Aggregate Data, and 2010 U.S. Census data.

Of the 12 sampled small business loans extended inside this area during 2012, 1 loan, or 8.3 percent were to businesses with gross annual revenues of \$1 million or less. This percentage is significantly less than the percentage of businesses in that revenue category and the aggregate's performance. In 2013, the percentage increased due to two additional loans, but was still significantly less than demographic data.

### Community Development Lending

The Bank is a leader in making CD loans within this area. This lending reflects excellent responsiveness to the community development needs of this area. The Bank originated \$98 million in CD loans within the San Francisco AA and the broader area including this AA, which represents 52.1 percent of the Bank's total CD lending in California. These loans primarily supported affordable housing.

Examples of CD lending in this area include the following.

- A \$1 million loan in 2014 to finance a 14-unit single room occupancy property for a land trust to create permanently affordable, resident-controlled housing for low- and moderate-income individuals in San Francisco.
- A \$1 million loan in 2014 to a nonprofit neighborhood development organization to acquire and develop affordable senior housing.
- A \$34,000 participation in a \$1 million loan in 2014 to a CDFI. This project provided permanent financing of 40 affordable senior housing units. The financing for this development included Low Income Housing Tax Credit Equities and subordinate debt from the City of Morgan Hill, County of Santa Clara, and the Mental Health Services Act.
- A \$168,000 participation in a \$6 million loan to a CDFI in 2013. This participation provided permanent financing for an affordable family rental project of 153 units in Manteca. This affordable housing transaction was also funded with tax-exempt bond

financing during construction and funded as a taxable mortgage through the CCRC mortgage pool at conversion. Subordinate debt provided was by the City of Manteca.

- A \$605,000 permanent loan in 2013 to a housing development corporation to rehabilitate a 12-unit apartment building in Menlo Park. All units are affordable to low- and moderate-income households.
- A \$1 million loan in 2012 to a nonprofit organization that primarily serves low- and moderate-income children and adults with disabilities in Redwood City.
- An \$85,000 loan in 2012 to a nonprofit organization that serves low- and moderate-income abused and neglected children in the foster care system with advocacy services through the judicial, governmental, and educational processes.
- A \$725,000 loan in 2012 to refinance a 12-unit residential property subject to San Francisco rent control requirements. The rent level for all units is below market and affordable to low- and moderate-income households.

### **Innovative and Flexible Lending Practices**

The Bank uses innovative and flexible lending practices to serve the credit needs of this area. As the State of California does not offer a comparable array of first-time and affordable housing programs and products as Massachusetts, the Bank created and sought approval for programs offered by individual municipalities within this area. Examiners detailed these programs and products under the combined AA analysis.

### **INVESTMENT TEST**

The Bank's performance under the Investment Test for this AA is consistent with Boston Private's overall Investment Test performance.

The Bank has an adequate level of qualified community development investments and grants in this area. The institution exhibits good responsiveness to the AA's credit and economic development needs. In addition, Boston Private makes significant use of innovative or complex investments to support CD initiatives in this AA.

As depicted in Table 41, the Bank made 192 qualified investments totaling over \$4.1 million. This total includes 8 new equity investments (\$3.7 million), 183 qualified grants and donations, and 1 prior period qualified investment still outstanding. Of the qualified investments, the Bank did not make any new equity investments during 2011 or 2012. Of the total dollar amount, 82.9 percent benefit efforts to create affordable housing opportunities in this AA, demonstrating the Bank's responsiveness to a primary community development need. Of the Bank's total qualified investments, 20.6 percent by number and 12.2 percent by dollar volume were in this AA.

<b>Table 41 - San Jose-San Francisco-Oakland, CA CSA (San Francisco AA)</b> <b>Qualified Investments and Donations</b>												
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize Or Stabilize</b>		<b>Neighborhood Stabilization Projects</b>		<b>Totals</b>	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	1	19	0	0	1	19
06/13/2011-12/31/2011	3	4	16	43	2	2	1	3	0	0	22	52
2012	6	20	35	93	1	1	1	1	0	0	43	115
2013	18	1,378	41	104	6	16	4	359	0	0	69	1,857
YTD 2014	20	2,053	29	50	5	16	3	4	0	0	57	2,123
<b>Totals</b>	<b>47</b>	<b>3,455</b>	<b>121</b>	<b>290</b>	<b>14</b>	<b>35</b>	<b>10</b>	<b>386</b>	<b>0</b>	<b>0</b>	<b>192</b>	<b>4,166</b>

Source: Internal Records

## Investments

Examples of qualified investments include the following.

- Boston Private invested \$500,000 in Enterprise Housing Fund XXV managed by Enterprise Community Partners in 2014. The fund provides critical equity resources to support the production and preservation of rental housing affordable to low-income individuals and families. The investment was for two senior-living projects: a 101-unit rehabilitation project in San Francisco, and a 109-unit rehabilitation project in Palo Alto.
- Boston Private invested \$500,000 in the California Housing Opportunities Fund III, a LIHTC Fund managed by Raymond James Tax Credit Funds, Inc in 2014. The fund provides critical equity resources to support the production and preservation of affordable rental housing in California. The investment was for two affordable housing projects: a 75-unit development of affordable family rental housing in San Francisco, and a 100-unit development of affordable family rental housing in Campbell.
- Boston Private invested \$500,000 in Merritt Community Capital Fund XVI, a LIHTC Fund managed by Merritt Community Capital Corporation in 2014. This fund provides critical equity resources to support the production and preservation of affordable rental housing in California. The investment was for three affordable housing projects: a 34-unit development of affordable family rental housing in Mountain View, a 98-unit development of affordable senior rental housing in San Francisco, and a 181-unit development of affordable senior rental housing in San Francisco.
- The Bank invested \$350,000 in the Housing Trust Silicon Valley (HTSV) to support its multifamily loan program to finance affordable housing development in 2013. Pre-development, acquisition, and construction loans are available through the program. HTSV's mission is to make Silicon Valley a more affordable place to live. HTSV makes loans and grants to increase the supply of affordable housing, assist first-time homebuyers, prevent homelessness, and stabilize neighborhoods in the Silicon Valley. This investment assisted in supporting their multifamily loan program for developers of affordable rental housing. Loans are available to nonprofit organizations developing affordable housing and for-profit affordable housing developers that create housing jointly with nonprofit organizations in tax credit partnerships.

- Boston Private invested \$330,000 in the Community Development Trust in 2013.

## **Donations**

Examples of qualified donations include the following:

**HIP Housing:** HIP Housing's mission is to invest in human potential by improving the housing and lives of residents in San Mateo County. HIP Housing enables primarily low-income individuals and families with special needs, due to either income or other circumstances, to live independently in decent, safe, and low-cost homes. The Bank provided \$15,000.

**San Francisco Housing Development Corporation (SFHDC):** SFHDC is a community-based, non-profit organization focused on preventing and reversing gentrification in low- and moderate-income, minority communities. The mission of SFHDC is to foster financial stability through the development of affordable housing, the facilitation of homeownership, and the economic empowerment and revitalization of Bay view Hunters Point and other neighborhoods of Southeast San Francisco. The Bank donated \$11,000.

**HTSV:** HTSV is among the largest housing trusts in the nation, financing affordable housing and assisting first-time homebuyers. The Bank donated \$10,000.

**Mission Economic Development Agency (MEDA):** MEDA's mission is to achieve economic justice for San Francisco's low- and moderate-income Latino families through asset development. Asset development is the process of encouraging and supporting individuals and families to develop, accumulate, and manage personal, social, and material (especially financial) assets. MEDA's programs and services include first-time homebuyer classes, free tax return preparation, workforce development, and technology training classes. The Bank donated \$10,000.

**Urban Solutions:** Urban Solution's mission is to strengthen underserved neighborhoods by supporting small businesses, job creation, diversity, and sustainability in San Francisco. Their programs include Small Business Consulting, Small Business Development Workshops, Business Attraction, Retention and Expansion, and Brokerage. The Bank donated \$8,000.

**Peninsula Family Service (PFS):** PFS's mission is to strengthen the community by providing low- and moderate-income children, families, and older adults the support and tools to realize their full potential and lead healthy and stable lives. Boston Private received their 2014 Corporate Volunteer of the Year award for its on-going support and the active volunteerism of its employees. The Bank donated \$17,000.

**Samaritan House (SH):** SH has been serving low-income families and individuals in San Mateo County since 1974. Their services are designed to meet the immediate and basic needs of their clients for food, clothing, shelter, health care, worker resources, and counseling services. Boston Private maintains a long-standing relationship with Samaritan House through its annual donations, support of their capital building campaign, active volunteerism, and nonprofit banking services. The Bank donated \$20,000.

**East Palo Alto Community Alliance Neighborhood Development (EPA CAN DO):** EPA CAN DO's mission is to create and maintain affordable housing and to promote community and economic development in East Palo Alto. This mission is achieved through developing affordable housing, providing homeownership and financial literacy education to residents, and

rehabilitating existing apartment units in the community. In 2014, Boston Private donated nearly \$2,000.

Downtown Streets Team (DST): DST is a nonprofit agency that provides homeless and low-income men and women with the necessary resources to rebuild their lives. The agency provides for their basic needs offers case management and employment services to locate housing and employment. The Bank donated \$6,000.

## **SERVICE TEST**

The Bank's performance under the Service Test for this AA is consistent with the overall performance under this criterion. Products and services available throughout this AA are similar to those offered in the combined AA.

Delivery systems are reasonably accessible to essentially all portions of the assessment area as the Bank continues to operate from the inherited branch network while also slightly expanding it. To the extent of the changes made within the CA AAs, the opening and closing of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or low- and moderate-income individuals. Services and business hours do not vary in a way that inconveniences certain portions of the AA. The institution provides a relatively high level of CD services.

## **Retail Banking Services**

### *Accessibility of Delivery Systems*

The Bank operated five branches within the AA in 2012, expanding to six in 2013. Examiners compared the geographic distribution of the Bank's branches in both 2012 and 2013 to the geographic distribution of census tracts and AA population in Table 42.

<b><i>Table 42 - San Jose-San Francisco-Oakland, CA CSA (San Francisco AA)</i></b>					
<b><i>Distribution of Bank Offices by CT Income Level, Population, and Businesses</i></b>					
<b>Census Tract Income Category</b>	<b>Census Tracts</b>	<b>Bank Branches 2012/2013</b>		<b>Population</b>	<b>Businesses 2012/2013</b>
	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Low</b>	12.7	1/2	20.0%/33.3%	11.8	12.6%/12.6%
<b>Moderate</b>	21.7	0/0	0.0%	22.8	18.5%/18.4%
<b>Middle</b>	34.9	1/1	20.0%/16.7%	36.3	31.9%/31.8%
<b>Upper</b>	30.0	3/3	60.0%/50.0%	29.0	36.9%/37.1%
<b>Income NA</b>	.6	0	0.0%	0.1	0.1%/0.1%
<b>Total</b>	<b>100.0</b>	<b>5/6</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Source: 2010 U.S. Census data, internal Bank records, and 2012 and 2013 D&B data*

As Table 42 illustrates, most of the Bank's branches are located in upper-income tracts. There are no branches in the moderate-income census tracts.

### *Alternative Delivery Systems*

Each branch maintains an ATM, and there are no standalone ATMs.

### *Changes in Branch Locations*

The Bank relocated the Palo Alto branch in 2011, and opened a branch in San Jose in a low-income tract in 2013. The opening of a branch in a low-income tract slightly improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

### *Reasonableness of Hours/Services Reasonableness of Business Hours and Services*

Banking offices are open Monday through Thursday 9:00 a.m. to 4:00 p.m. and Friday 9:00 a.m. to 6:00 p.m. These hours are comparable to those of other banks in this AA.

## **Community Development Services**

### *Officer Involvement in Local Community Organizations*

Approximately 56 officers and employees of the Bank are involved in nearly 46 local community development and non-profit organizations in various capacities. Bank personnel serve as directors, officers, treasurers, committee members, and volunteers, and provide many services such as fundraising, public relations, finance, and administrative support. In many cases, involvement in these organizations has led to loans and grants. The following are some examples of this involvement:

- A loan officer serves on the Board of a home rehabilitation and improvement corporation whose primary focus is providing loans and grants to low- and moderate-income individuals for housing. In this capacity, this employee participates in several first-time homebuyer seminars conducted by the organization.
- Six loan officers serve as members of the Loan Committee in both San Mateo and Santa Clara counties of the Ways to Work Program of Peninsula Family Service. The Ways to Work Family Loan Program provides affordable automobile loans to low-income individuals with children enabling them to enhance their ability to find suitable employment, take their children to school, and enhance their self-sufficiency.
- A senior vice president serves on the Board of Directors of the Housing Endowment and Regional Trust (HEART). HEART raises funds from public and private sources to meet critical and affordable housing needs in San Mateo County.
- Ten Bank officers, including the Community Investment Officer, participated as student mentors for The Glow Foundation's Foundation for a College Education (FCE) Senior Budget Support Session and Senior Budget Review Sessions for high school seniors throughout the San Francisco Bay Area. This includes students from Galileo Academy of Science and Technology and Mission High School (San Francisco), Lighthouse Community Charter School (Oakland), Sequoia High School (Redwood City), Eastside College Preparatory (East Palo Alto), and Breakthrough Silicon Valley (San Jose). The Glow

Foundation's mission is to empower low-income students from underserved communities to become successful in college and in life.

- The Community Investment Officer serves as Secretary of the Board of Directors of Rotary Haciendas, Inc., an affordable senior rental housing development.
- A Community Investment Officer serves on the Advisory Committee of Urban Solutions, a nonprofit which works with underserved neighborhood small business owners to strengthen their operations and create jobs, enabling San Francisco to build and maintain diverse and vibrant neighborhoods.
- A CRA Residential Lending Specialist serves on the Board of Directors of the San Francisco Housing Development Corporation (SFHDC).
- A Bank marketing officer created a marketing plan for Good Karma Bikes, a nonprofit that provides jobs and technical training for homeless men and women in San Jose.
- A Bank loan officer serves on the board of directors for HIP Housing.
- A Bank officer participated on the task force organized by Silicon Valley Community Foundation to provide feedback on the "credit card program." The program was designed to provide an alternative payment mechanism for unbanked individuals in the community and stimulate business in the local communities, particularly East Palo Alto.

### *Financial Literacy Training*

Boston Private partners with some non-profit organizations and public agencies involved in low- and moderate-income communities to provide financial literacy education. Topics typically covered include basic banking, budgeting, and credit issues. The following are examples of financial literacy training that the Bank provided.

- Since 2011, 30 employees teach the Junior Achievement financial education curriculum over a 5-week period each fall at the Sunny brae Elementary School, which serves students primarily from low- to moderate-income families in San Mateo.
- During 2014, Bank staff and officers presented nine classes of *Money Smart for Older Adults: Prevent Financial Exploitation*, a financial literacy program designed by the FDIC to provide seniors with critical information and tips to help them not fall victim to common frauds, scams, and other types of elder financial exploitation. The presentations were held at the affordable rental housing facilities of Lesley Senior Communities and Mid-Pen Housing.
- Bank officers presented to a group of five students from low-income families from Hillsdale High School regarding banking services and best practices for obtaining a credit card. These young women were being mentored by the Soroptomist Club of San Mateo, a group of professional women that focus on issues such as domestic violence, poverty, self-esteem, addiction, literacy, and other challenges that face today's women and girls.

### *Homebuyer Counseling*

- The Bank conducted 13 seminars for 13 organizations with 476 participants attending. Six sessions were held in 2013 and seven in 2014. These include cities and towns that offer counseling programs and are actively engaged in helping first-time homebuyers. The Bank collaborated with Housing Leadership Council of San Mateo County, Hunters Point Citizen's Advisory Committee, Mission Economic Development Agency, Neighborhood Housing Services of Silicon Valley, San Francisco Housing Development Corporation, and San Francisco LGBT Housing Corporation.

### *Business Seminars*

The Bank participates in training sessions for small businesses on standard financing, alternative sources of financing, and other issues affecting small businesses. Bank loan officers also participate on panels that provide technical assistance on banking to small businesses. The following are the seminars in which the Bank provided assistance.

- A senior Bank officer presented the Bank's small business lending programs at Menlo College Business Administration-Small Business Administration (SBA) DAY.
- A Bank loan officer participated in the planning, implementation, and delivery of the Microeconomic Assistance Program (MAP) sponsored by the City of Palo Alto. The program provides technical education for and makes micro-grants to low- to moderate-income business owners and individuals with the goal of increasing employment and income of low-income residents.

### *Grant Writing*

- The Bank participated with the FHLBB special program. During 2013 and 2014, the Bank assisted three first-time homebuyers with grants through the EBP totaling \$43,083. The Bank also received approval for a CDA totaling \$7.4 million for one loan associated with economic development initiatives. Additionally, the Bank manages one project for which an AHP grant was awarded to a California legacy bank. This grant was for \$265,000 and was used to finance 52 units of affordable housing for low-income households.



# LOS ANGELES-LONG BEACH, CA METROPOLITAN AREA

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN *Los Angeles-Long Beach, CA CSA (Southern California AA)*

During the evaluation period, the Bank operated 6 branch offices, or 22.2 percent of its total offices, in the Southern California AA. This AA consists of Los Angeles County, which is located in the Los Angeles-Long Beach-Glendale, CA MD, and Ventura County, which is located in the Oxnard-Thousand Oaks-Ventura, CA MSA. These counties are contiguous and all branch locations in this AA are located in Los Angeles County except for the branch in Westlake Village. Prior to the fall of 2013, the Southern California AA did not include full counties of Los Angeles and Ventura. Including these additional areas increased the number of low- and moderate-income tracts by 45 and 323 tracts, respectively. This AA contains a higher percentage of low- and moderate-income tracts than other AAs as the city of Los Angeles includes a substantial number of low- and moderate-income tracts. Table 43 summarizes pertinent demographic information for the Southern California AA.

<b>Table 43 – Los Angeles-Long Beach, CA CSA (Southern California AA)</b>						
<b>Demographics</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
Geographies (CTs)	2,520	8.7	28.5	27.7	33.6	1.5
Population by Geography	10,641,92	7.8	29.2	29.2	33.4	0.4
Owner-Occupied Housing by Geography	1,727,543	2.1	16.7	30.1	51.1	0.0
Family Distribution by Income Level	2,365,806	23.8	16.5	17.9	41.8	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	954,323	13.3	41.4	27.8	17.6	0.0
Median Family Income FFIEC Adjusted Median Family Income (MFI) for 2012 Families Below Poverty Level		\$63,192 \$66,492 14%	Median Housing Value Unemployment Rate		\$528,844 4.33%	

*Source: 2010 U.S. Census*

The Southern California AA contains 2,520 census tracts, of which 8.7 percent are low-income, 28.5 percent are moderate-income, 27.7 percent are middle-income, and 33.6 percent are upper income. The total population of 10,641,923 is comprised of 2,365,806 families. Of the families in this AA, 23.8 percent are low-income, 16.5 percent are moderate-income, 17.9 percent are middle-income, and 41.8 percent are upper-income. The median family income is \$63,192, the median housing value is \$528,844, 14.0 percent of families are below the poverty level, and the unemployment rate is 4.3 percent.

As of August 2014, the Bureau of Labor Statistics reported the unemployment rates for Los Angeles County at 9.1 percent and at 7.3 percent for Ventura County.

To determine the distribution of HMDA loans by borrower income level, the following FFIEC-calculated MFIs detailed in Table 44 were used, as applicable.

<b>Table 44 – Los Angeles-Long Beach, CA CSA (Southern California AA) Median Family Incomes</b>			
<b>MSA/MD</b>	<b>Name</b>	<b>2012</b>	<b>2013</b>
<b>31100</b>	Los Angeles-Long Beach-Santa Ana, CA MSA		
<b>31084</b>	Los Angeles-Long Beach-Glendale, CA MD	\$64,800	\$61,900
<b>37100</b>	Oxnard-Thousand Oaks-Ventura, CA MSA	\$89,300	\$86,700

Source: Federal Financial Institution Examination Council

Table 45 indicates the number and percentage of nonfarm businesses by census tract income and by business annual revenue for the Southern California AA.

According to D&B data, there were 1,076,130 and 955,697 nonfarm businesses within the AA during 2012 and 2013, respectively. The percentage of nonfarm businesses within low- and moderate-income tracts remained unchanged from 2012 to 2013. The percentage of nonfarm businesses with \$1 million or less in annual revenue also remained relatively unchanged from 2012 to 2013.

<b>Table 45 – Los Angeles-Long Beach, CA CSA (Southern California AA) Nonfarm Business Demographics</b>				
<b>Business Demographics</b>	<b>2012</b>		<b>2013</b>	
<i>By Census Tract</i>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	65,941	6.1	58,883	6.2
<b>Moderate</b>	199,874	18.6	176,345	18.4
<b>Middle</b>	287,624	26.7	255,250	26.7
<b>Upper</b>	511,197	47.5	454,548	47.6
<b>Income NA</b>	11,494	1.1	10,671	1.1
<b>Total</b>	<b>1,076,130</b>	<b>100.0</b>	<b>955,697</b>	<b>100.0</b>
<i>By Annual Revenue</i>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$1 million</b>	784,432	72.9	699,612	73.2
<b>&gt; \$1 million</b>	43,734	4.1	42,658	4.5
<b>Revenue Unknown</b>	247,964	23.0	213,427	22.3
<b>Total</b>	<b>1,076,130</b>	<b>100.0</b>	<b>955,697</b>	<b>100.0</b>

Source: 2012 and 2013 D&B data

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN Southern California AA**

### **LENDING TEST**

#### **Lending Activity**

During 2012, Boston Private originated 121 home mortgage loans and 1 of the sampled small business loans in this area. In 2013, the number of home mortgage originations declined slightly to 118 and the number of small business loans increased slightly to 3. This lending level reflects poor responsiveness to the AA's credit needs and is further supported by market data, which illustrates that numerous home mortgage lending opportunities existed. Based on its 2012

originations, the Bank's market share was .03 percent and was ranked 220<sup>th</sup>. Aggregate data shows that 797 other lenders originated or purchased 410,030 home mortgages in this AA.

The Bank's limited lending levels reflect that the product offerings, resources, and referral relationships in this AA were inadequate. Additionally, the Bank has a limited branch presence considering the size of this AA. Management increased loan staff, enhanced the Bank's loan product offerings, and hired a dedicated CRA loan officer in the beginning of 2014 in the Southern California AA. The loan officer; however, did not commence originating loans until the third quarter. Prior to this time period, the CRA loan officer was charged with attaining approved lender designations with various municipal and regional agencies that promote homeownership for low- and moderate-income borrowers. Additionally, management continues to pursue relationships with nonprofit and municipal referral sources and sponsor seminars to raise the Bank's visibility and develop new residential and business relationships.

### Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the AA, particularly in low- and moderate-income census tracts. This limited penetration reflects the allocation of resources to this AA during the evaluation period. The Bank's limited branch presence in the low- and moderate-income census tracts also affected loan penetration. A majority of the low- and moderate-income tracts are located within the City of Los Angeles. The branch structure inherited by the Bank did not include a branch in or close to the Los Angeles area.

### Home Mortgage Loans

The geographic distribution of home loans reflects poor dispersion throughout the AA, particularly in low- and moderate-income census tracts. Refer to Table 46 for information concerning the distribution of home mortgage loans by tract income level.

<b>Table 46 – Los Angeles-Long Beach, CA CSA (Southern California AA)</b>							
<b>Home Mortgage Loans by Census Tract Income Level</b>							
<b>HMDA Year</b>	<b>Census Tract Income Level</b>	<b>AA Owner Occupied Housing Units</b>	<b>HMDA Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$(000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	Low	2.1	1.8	2	1.7	2,653	1.2
	Moderate	16.7	12.8	5	4.1	18,564	8.7
	Middle	30.1	26.6	5	4.1	4,437	2.1
	Upper	51.1	58.8	109	90.1	188,639	88.0
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>121</b>	<b>100.0</b>	<b>214,293</b>	<b>100.0</b>
2013	Low	2.1		1	0.8	147	0.1
	Moderate	16.7		9	7.6	9,705	6.5
	Middle	30.1		12	10.2	9,516	6.3
	Upper	51.1		96	81.4	131,021	87.1
	<b>Total</b>	<b>100.0</b>		<b>118</b>	<b>100.0</b>	<b>150,389</b>	<b>100.0</b>
Q1Q2 2014	Low	2.1		3	7.9	1,351	2.8
	Moderate	16.7		3	7.9	608	1.2
	Middle	30.1		6	15.8	13,091	26.6
	Upper	51.1		26	68.4	34,067	69.4
	<b>Total</b>	<b>100.0</b>		<b>38</b>	<b>100.0</b>	<b>49,117</b>	<b>100.0</b>

Source: 2012, 2013, and Q1Q2 2014 HMDA LARs; 2012 HMDA Aggregate Data; and 2010 U.S. Census data.

During 2012, 2 loans (1.7 percent) and 5 loans (4.1 percent), respectively, of the 121 home mortgage loans were in the low- and moderate-income tracts. The Bank's distribution in the low-income tracts was slightly less than aggregate and demographic data. Conversely, its lending in the moderate-income tracts was significantly below both aggregate and demographic data. Market rank data further supports this poor performance, as the Bank captured 0.03 percent of the low-income market (ranked 210<sup>th</sup> out of 333 lenders) and 0.01 percent of the moderate-income market (ranked 334<sup>th</sup> out of 538 lenders).

During 2013, the Bank's distribution in the low-income tracts decreased as only one loan was extended; whereas, four additional loans were made in the moderate-income tracts. In both cases, these percentages were less than demographic data. While lending is on pace to decline in general in 2014, the percentage of loans to low- and moderate-income individuals increased. Nonetheless, the Bank's lending performance to borrowers of different income levels is poor given the limited number of loans to low- and moderate-income borrowers during the evaluation period.

#### *Small Business Loans*

The geographic distribution of small business loans reflects poor dispersion throughout the AA, particularly in low- and moderate-income census tracts. Of the sampled small business loans, the Bank did not extend any loans in the low- or moderate-income tracts during 2012. During 2013, one of the three loans originated in this AA was in a moderate-income tract. This distribution was significantly less than the percentage of businesses operating in those tracts.

#### **Borrower Distribution**

The distribution of borrowers reflects, given the product lines offered by the institution, poor penetration among retail customers of different income levels and business customers of different size.

#### *Home Mortgage Loans*

The Bank achieved a poor penetration of loans to borrowers of different income levels. Refer to Table 47 for information concerning the distribution of home mortgage loans by borrower income.

<b>Table 47 – Los Angeles-Long Beach, CA CSA (Southern California AA)</b> <b>Home Mortgage Loans by Borrower Income Level</b>							
<b>HMDA Year</b>	<b>Income Classification</b>	<b>AA Families</b>	<b>HMDA Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$ (000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	Low	23.8	3.7	0	0.0	0	0.0
	Moderate	16.5	9.8	0	0.0	0	0.0
	Middle	17.9	18.2	1	0.8	387	0.2
	Upper	41.8	57.0	110	90.9	179,830	83.9
	Income NA	0.0	11.3	10	8.3	34,076	15.9
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>121</b>	<b>100.0</b>	<b>214,293</b>	<b>100.0</b>
2013	Low	23.8		2	1.7	143	0.1
	Moderate	16.5		7	5.9	1,207	0.8
	Middle	17.9		1	0.9	168	0.1
	Upper	41.8		99	83.9	129,448	86.1
	Income NA	0.0		9	7.6	19,423	12.9
	<b>Total</b>	<b>100.0</b>		<b>118</b>	<b>100.0</b>	<b>150,389</b>	<b>100.0</b>
Q1Q2 2014	Low	23.8		0	0.0	0	0.0
	Moderate	16.5		2	5.3	174	0.3
	Middle	17.9		3	7.9	838	1.7
	Upper	41.8		30	78.9	38,042	77.5
	Income NA	0.0		3	7.9	10,063	20.5
	<b>Total</b>	<b>100.0</b>		<b>38</b>	<b>100.0</b>	<b>49,117</b>	<b>100.0</b>

Source: 2012, 2013, and Q1Q2 2014 HMDA LARs; 2012 HMDA Aggregate Data; 2010 U.S. Census data.

As Table 47 depicts, Boston Private did not originate any loans to low- or moderate-income borrowers in 2012. In 2013, the Bank extended 2 loans to low-income borrowers and 7 to moderate-income borrowers. Conversely, during the first six months of 2014, the Bank did not extend any loans to low-income borrowers and originated two loans to moderate-income borrowers. Given the limited number of loans to low- and moderate-income borrowers, during the evaluation period, the Bank's lending performance to borrowers of different income levels is poor.

#### *Small Business Loans*

The one sampled small business loan extended in 2012 was to a business with revenues less than or equal to \$1 million and none of the three loans extended in 2013 was to a business with revenues less than or equal to \$1 million. The Bank's lending performance reflects poor penetration among businesses of different sizes.

#### **Community Development Lending**

Boston Private is a leader in making CD loans in the Southern California AA. The Bank originated \$90 million in CD loans within this AA. This represents 47.9 percent of the Bank's total CD lending in California and reflects the Bank as a leader in making CD loans in this AA.

Some examples of CD lending in this AA include the following.

- A \$22 million loan in 2014 to a for profit developer to refinance and rehabilitate a 113-unit LIHTC property in South Los Angeles. Rents target low- and moderate-income families at 35 – 60 percent Adjusted Median Income. Financing includes LIHTCs and a Section 8 Housing Assistance Program contract.

- A \$10 million loan in 2013 to support the refinance of an existing commercial facility located in a low-income census tract in downtown Los Angeles. The subject property also sits within the boundaries of the Los Angeles State Enterprise Zone, Los Angeles Fashion District Business Improvement District, and the City Center Redevelopment Project Area of the Community Redevelopment Agency of the City of Los Angeles. This loan revitalized a low-income census tract.
- A \$9 million loan in 2012 to provide financing to acquire and redevelop the City Market, which is located in a low-income census tract and federally designated "Empowerment Zone" in Los Angeles. The multi-year redevelopment, which included institutional, educational, commercial, retail, and residential use, promoted economic development, job creation, and revitalized the neighborhood.

### **Innovative and Flexible Lending Practices**

As illustrated by the limited lending to low- and moderate-income individuals and small businesses, the Bank makes little use of innovative and flexible lending practices to serve the credit needs of the Southern California AA.

### **INVESTMENT TEST**

The Bank's performance under the Investment Test for this AA is consistent with Boston Private's overall Investment Test performance.

The Bank has a significant level of qualified community development investments and grants in this AA. The institution exhibits good responsiveness to the AA's community development needs. In addition, Boston Private makes significant use of innovative or complex investments to support CD initiatives in this AA.

As illustrated in Table 48, the Bank made 117 qualified investments totaling over \$5.9 million. This total includes 10 new equity investments (\$5.6 million) and 107 qualified grants and donations. Of the qualified investments, the Bank did not make any new investments during 2012. Of the total dollar amount, 92.4 percent benefit efforts to create affordable housing opportunities. Of the qualified investments made by the Bank, 12.6 percent by number and 17.2 percent by dollar were extended in this AA.

<b>Table 48 – Los Angeles- Long Beach, CA CSA (Southern California AA) Qualified Investments and Donations</b>												
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize Or Stabilize</b>		<b>Neighborhood Stabilization Projects</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	0	0	0	0	0	0	0	0	0	0	0	0
06/13/2011-12/31/2011	1	2	9	18	1	250	0	0	0	0	11	270
2012	8	22	15	26	1	3	1	5	0	0	25	56
2013	8	2,355	14	30	11	35	5	14	0	0	38	2,434
YTD 2014	16	3,031	16	30	8	21	3	12	0	0	43	3,094
<b>Totals</b>	<b>33</b>	<b>5,410</b>	<b>54</b>	<b>104</b>	<b>21</b>	<b>309</b>	<b>9</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>117</b>	<b>5,854</b>

Source: Internal Records

## **Investments**

Examples of qualified donations include the following.

- Invested \$500,000 in Enterprise Housing Fund XXV. The investment was for two senior housing developments in Los Angeles (a 48-unit new construction project and a 79-unit new construction project with 50 units intended for homeless veterans, mostly who are chronically homeless), and a 25-unit development in Whittier targeting formerly homeless families.
- Boston Private invested \$500,000 in Merritt Community Capital Fund XVI. The investment was used to develop 20-units of affordable family rental housing in Thousand Oaks, Ventura County.
- The Bank invested \$250,000 in the Clearinghouse, a CDFI, to support the production of affordable housing and to promote economic development in low-income communities through New Markets Tax Credit Program investments and financing to community-based organizations that promote affordable housing, economic development, and human services throughout California.
- Boston Private invested \$1 million in the WNC Institutional Tax Credit Fund, California Series 12, LIHTC Fund managed by WNC Housing Tax Credit Manager CA 12, LLC. The fund provided critical equity resources for the production and/or preservation of a 121-unit development for families in Antelope Valley, a 118-unit development for seniors in Los Angeles, a 40-unit development for families in Los Angeles, a 115-unit development for seniors in Monrovia, and a 36-unit development for families in North Hollywood.
- The Bank invested \$1 million in the Enterprise Housing Partners XXIV, LIHTC Fund managed by Enterprise Community Partners. The fund provided support for the substantial rehabilitation of a 265-unit single room occupancy rental housing development for low-income individuals in Los Angeles.
- Boston Private invested \$340,000 in the Community Development Trust.

## **Donations**

Examples of qualified donations include the following:

New Economics for Women (NEW): NEW is a non-profit community development corporation based in Los Angeles that is dedicated to the economic security of women, especially immigrant women, in low-wealth communities. Its programs and investments focus on creating culturally relevant financial education, affordable housing, and community engagement. To date, NEW has helped over 393 families purchase their first home. The Bank works with NEW in numerous ways to promote affordable housing. In addition to funding support for both general operating expenses and homeownership department activities, the Bank provided debt financing to support NEW's Neighborhood Stabilization Program activities to acquire, rehabilitate, and re-sell distressed single-family homes to low- and moderate-income families. In 2012, the Bank donated \$2,500, and in 2014, another \$5,000.

Ventura County Housing Trust Fund (VCHTF): The mission of VCHTF is to support more housing choices, by generating and leveraging financial resources, working in partnership with the public, private, and non-profit sectors throughout Ventura County. The organization provides safe and affordable housing, allowing for families to have remaining funds to cover other necessary expenses. The Bank was one the initial investors into VCHTF, providing capital for general operations within months of its start as a 501(c)3 organization. Since then, VCHTF has developed a successful loan fund which supports the development of affordable housing for low-income veterans, the homeless, farm workers, and youth aging out of the foster care system. The Bank donated \$2,000 in 2012.

Asian Pacific Islander Small Business Program (API SBP): The mission of API SBP is to assist entrepreneurs and small businesses overcome barriers to growth and success; generate employment opportunities and sustainable businesses in the community; accommodate the unique economic needs of low-income immigrants; and serve as a link between the mainstream economy and ethnic small businesses. The organization hosts one of Los Angeles' largest small business expos targeting Asian immigrant entrepreneurs in search of business opportunities, credit and technical assistance to sustain and grow their businesses. In 2013 and 2014, the Bank donated \$3,500.

Santa Monica College Small Business Development Center (SMC SBDC): SMC SBDC is dedicated to assisting with small business start-up, helping businesses expand and develop, promoting minority and women-owned business, and creating and retaining employment opportunities. The SMC SBDC launched an innovative program targeting veterans, "Vetrepreneurs Bootcamp: Forces to Franchises", sponsored by Boston Private Bank along with other funders, which is a series of workshops that educates veterans on the steps needed to successfully launch and fund a business, particularly a franchise business. The Bank donated \$3,000 in 2013.

MEND Meet Each Need with Dignity (MEND): With dignity and respect, powered by volunteers, MEND's mission is to break the bonds of poverty by providing basic human needs and a pathway to self-reliance. MEND serves an average of 38,500 and as many as 49,000 poverty-level clients monthly. MEND takes a holistic approach to relieve the effects of poverty by providing basic human needs while providing their clients with the tools, education, training, support, and opportunities that foster self-reliance. During 2012, the Bank provided \$250 with additional donations of \$800 in 2013, and \$1,000 in 2014.

Little Tokyo Service Center (LTSC): The mission of the LTSC, a Community Development Corporation, is to meet the critical needs of people and to build community. Founded in 1979, LTSC collaborates with other nonprofit, community-based organizations to help them build multifamily affordable housing projects that serve their communities, and increase the capacity of the organizations to engage in broad neighborhood-based community building work. Through these collaborations, LTSC has partnered with over 15 community-based organizations and has completed 22 projects with 800 units of affordable housing and approximately 125,000 square feet of community facility space. LTSC has developed more than \$200 million in community-serving nonprofit real estate projects. The Bank provided \$3,000 in 2013, and another \$3,000 in 2014.

Ventura County Community Development Corporation (VCCDC): The mission of VCCDC is to strengthen and sustain vibrant communities by empowering and enabling low- to moderate-income individuals, families and businesses in the counties of Ventura and Santa Barbara to build wealth through homeownership and entrepreneurship. VCCDC has a firm focus on



providing families of modest means with home ownership. With capital acquired from financial institutions, intermediaries, foundations, municipalities, California's government and the federal government, VCCDC provides amortized and deferred subordinate loans to low- and moderate-income families. The Bank donated \$5,000 in 2012 and another \$4,000 in 2013.

## **SERVICE TEST**

The Bank's performance under the Service Test for this AA is below the overall performance under this criterion. Products and services available throughout this AA are similar to those offered in the combined AA. The Bank's delivery systems are reasonably accessible to essentially all portions of the AA as the Bank continues to operate the inherited branch network, while also expanding it slightly. Boston Private's opening and closing of branch offices has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. Services and business hours do not vary in a way that inconveniences portions of the AA, particularly low- and moderate-income geographies and/or individuals. The Bank provides an adequate level of CD services within this AA.

### **Retail Banking Services**

#### *Accessibility of Delivery Systems*

During 2012, the Bank operated 5 branches within this AA. In 2013, the Bank expanded the branch network to 6.

Examiners compared the geographic distribution of the Bank's branches in both 2012 and 2013 to the geographic distribution of census tracts and AA population in Table 49.

<b><i>Table 49 - Los Angeles-Long Beach, CA CSA (Southern California AA) Distribution of Bank Offices by CT Income Level, Population, and Businesses</i></b>					
<b>Census Tract Income Category</b>	<b>Census Tracts</b>	<b>Bank Branches</b>		<b>Population</b>	<b>Businesses 2012/2013</b>
	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Low</b>	8.7	1/1	20.0%/16.7%	7.8	6.1%/6.2%
<b>Moderate</b>	28.5	1/1	20.0%/16.7%	29.2	18.6%/18.4%
<b>Middle</b>	27.6	0/1	0.0%/16.7%	29.2	26.7%/26.7%
<b>Upper</b>	33.6	3/3	60.0%/50.0%	33.4	47.5%/47.6%
<b>Income NA</b>	1.6	0	0.0%	0.4	1.1%/1.1%
<b>Total</b>	<b>100.0</b>	<b>5/6</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Source: 2010 U.S. Census data, internal Bank records, and 2012 and 2013 D&B data*

As Table 49 shows, half of current branches are located in upper-income tracts.

#### *Alternative Delivery Systems*

Each branch maintains an ATM and there are no standalone ATMs.

#### *Changes in Branch Locations*

In 2013, the Bank relocated its Westlake Village office to another location in Westlake Village and opened an office in Pasadena in a middle-income tract.

## *Reasonableness of Hours/Services Reasonableness of Business Hours and Services*

Branches are open Monday through Friday 9:00 a.m. to 4:30 p.m., which is comparable to other banks in this area.

### **Community Development Services**

#### *Officer Involvement in Local Community Organizations*

Approximately 16 officers and employees of the Bank are involved in nearly 26 local community development and non-profit organizations in various capacities. Bank personnel serve as directors, officers, treasurers, committee members, and volunteers, and provide many services such as fundraising, public relations, finance, and administrative support. During the evaluation period, of the approximately 119 employees involved in local community organizations, 16 (13.4 percent) assisted this AA. Further, of the approximately 148 organizations in which the employees participate in, 26 (17.6 percent) served this AA.<sup>5</sup> The following are some examples of this involvement.

- A deposit manager serves as a member of the Board of Directors of New Horizons, a nonprofit that provides services to adults with developmental disabilities through community education and advocacy.
- A community investment officer served on the Fundraising Committee of the Local Initiative Support Corporation (LISC). LISC provides technical assistance and capital to nonprofit developers of affordable housing, charter school, and other facilities benefitting low- and moderate-income communities.
- A Bank loan officer is a committee member to the City of Camarillo Community Development Block Grant Loan committee, which offers loans or grants for home improvement loans to very low- to low-income residents in Camarillo.
- A Bank officer serves as a member of the board of directors of Habitat for Humanity. The organization renovates homes of disabled veterans.

#### *Financial Literacy Training*

Boston Private partners with some non-profit organizations and public agencies involved in low- and moderate-income communities to provide financial literacy education. Subjects typically covered in the training include basic banking, budgeting, and credit issues. The following are the financial literacy training sessions conducted by the Bank.

- During 2011 through 2014, staff provided financial education to low- and moderate-income youth in Los Angeles at Junior Achievement Finance Park; usually seven employees participate in the daylong education program.
- The Bank partnered with EverFi, Inc. to provide an innovative web-based, instructor-led, financial literacy curriculum to elementary and high school students in Los Angeles through the

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<sup>5</sup> Activities from the Washington AA are not included as the information was not available for the entire period in which it was part of the bank's AAs.

adoption of Newcastle Elementary School (78 percent receive free or subsidized lunches) and Westchester High School (56 percent receive free or subsidized) and Teacher Preparatory Academy.

### *Homebuyer Counseling*

- The Bank conducted 16 seminars for 9 organizations with 889 participants attending. One seminar was held in 2013 and the remainder in 2014. Some organizations included Home Preservation and Prevention Cares, New Economics for Women, Koren Churches for Community Development, and Ventura County Community Development Corporation.

### *Business Seminars*

The Bank participated in training sessions for small businesses on financing and other topics that impact small businesses, albeit limited in this AA.

- The Bank partnered with Santa Monica College's Small Business Development Center (SMC SBDC) in Southern California to launch an innovative program targeting veterans, "Vetrepreneurs Bootcamp: Forces to Franchises," which is a series of workshops that educates veterans on the steps needed to successfully launch and fund a business, particularly a franchise business. Thirty participants attended the pilot session.
- A Bank officer served on the Strategic Partner Network for the Minority Business Development Agency (MBDA) Business Center- Los Angeles. The mission of the MBDA is to foster the growth and global competitiveness of U.S. businesses that are minority-owned by facilitating transactions through referrals, business consulting, access to markets, and access to capital. In addition, MBDA seeks to assist clients to achieve their growth objectives by connecting them with prospective strategic partners through business-to-business matching, teaming arrangements, joint ventures, or other strategic advisory services. The center is located at the University of Southern California in a low-income census tract.

### *Grant Writing*

The Bank participated with the FHLBB. During 2014, the Bank assisted one first-time homebuyer with an EBP grant totaling \$15,000. The Bank received approval for a CDA totaling \$9.0 million for one loan associated with economic development initiatives. Additionally, the Bank continues to manage six projects for which AHP grants were previously awarded to the acquired institution. These grants total \$2.5 million and financed 381 units of affordable housing for low-income households.

# STATE OF WASHINGTON

## ***CRA RATING FOR WASHINGTON:***

***The Lending Test is rated:***

***The Investment Test is rated:***

***The Service Test is rated:***

***Satisfactory***

***Low Satisfactory***

***Low Satisfactory***

***Low Satisfactory***

The Bank's CRA performance within Washington is consistent with the Bank's overall performance. As the Bank sold all four of the inherited branches located in this AA in May 2013, the Bank's lending and other activities in this area is limited.

## **SCOPE OF EXAMINATION**

The products indicated within the previously provided scope is applicable, except that only loans, qualified investments, and CD services originated, made, or provided within Washington are considered in this section. Since the Bank discontinued operating in Washington in 2013, the analysis is limited to 2012.

The Bank designated one AA within Washington. Examiners performed a full-scope review for this area; however, performance in this area carried little weight when in rating the Bank's overall performance.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN *Washington***

This AA consists of all of King County within the Seattle-Bellevue-Everett, WA MD.

The Bank presently does not operate any branches within the state. The Bank closed and sold the four branches inherited through the merger.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *Washington***

The Bank's performance within Washington is discussed in the Seattle-Bellevue-Everett MD analysis in the following section of the evaluation.

# SEATTLE-BELLEVUE-EVERETT, WA METROPOLITAN AREA

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN *Seattle-Bellevue-Everett, WA MD*

Table 50 illustrates total population, families, and housing demographics based on the 2010 Census data within the Washington AA.

<i>Table 50 – Seattle-Bellevue-Everett, Washington MD (Washington AA) Demographics</i>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies	398	5.0	17.8	44.5	32.2	0.5
Population by Geography	1,931,249	4.6	17.8	46.0	31.3	0.3
Owner-Occupied Housing by Geography	835,564	1.7	13.2	47.4	37.7	0.0
Businesses by Geography	228,572	5.1	15.3	44.0	35.5	0.1
Family Distribution by Income Level	456,029	20.0	16.9	21.1	42.0	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	168,404	6.6	27.5	47.6	18.3	0.0
Median Family Income FFIEC Adjusted Median Family Income for 2012 Families Below Poverty Level		\$91,075 \$88,000 6.4%	Median Housing Value Unemployment Rate		\$453,152 6.2%	

*Source: 2010 U.S. Census and 2012 Business Geo-demographic data*

The Washington AA contains 398 census tracts, of which 5.0 percent are low-income, 17.8 percent are moderate-income, 44.5 percent are middle-income, and 32.2 percent are upper-income. The total population of 1,931,249 is comprised of 456,029 families. Of the families in this AA, 20.0 percent are low-income, 16.9 percent are moderate-income, 21.1 percent are middle-income, and 42.0 percent are upper-income. The median family income is \$91,075, the median housing value is \$429,219, 6.4 percent of families are below the poverty level, and the unemployment rate is 6.2 percent.

Table 50 also indicates the percentage of nonfarm business by census tract income. According to 2012 D&B data, 5.1 percent, and 15.3 percent of the 228,572 nonfarm businesses within the AA operated in low- and moderate-income tracts. Of these nonfarm businesses, 69.8 percent maintained annual revenues of \$ 1 million or less.

To determine the distribution of HMDA loans for the review period by borrower income level, the 2012 FFIEC-calculated MFIs were used. For this MD, the FFIEC-adjusted MFI for 2012 was \$88,000. Table 51 provides a breakdown of borrower income levels used for the review.

<b>Table 51 – Seattle-Bellevue-Everett, Washington MD (Washington AA)</b> <b>Median Family Incomes</b>		
<b>Family Income Category (% of MSA Median)</b>	<b>2012</b>	
	<b>From</b>	<b>To</b>
Low (< 50%)	\$1	\$43,999.99
Moderate (50% - 79%)	\$44,000	\$70,399.99
Middle (80% - 119%)	\$70,400	\$105,599.99
Upper (≥120%)	\$105,600	+

Source: FFIEC

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *Seattle-Bellevue-Everett, WA MD*

### LENDING TEST

#### Lending Activity

Lending levels reflect adequate responsiveness to the credit needs of the Washington AA. During the review period, which is limited to 2012 home mortgage data, Boston Private originated 1.7 percent (by number) of its total home mortgage loans within the Washington AA. Examiners did not consider small business loans for this area since loan documentation was not available for evaluation due to the Bank no longer operating branches in Washington. Based on its 2012 home mortgage originations, Boston Private's market share was .04 percent and 161<sup>st</sup>. The five leading institutions collectively accounted for 40.7 percent of the total market share.

#### Geographic Distribution

Considering the Bank's limited presence in this market, the geographic distribution of loans reflects adequate penetration throughout this area when compared to demographics and aggregate lending data. Refer to Table 52 for specific information concerning the distribution of home mortgage loans by census tract income level.

<b>Table 52 – Seattle-Bellevue-Everett, Washington MD (Washington AA)</b> <b>Home Mortgage Loans by Census Tract Income Level</b>							
<b>Year</b>	<b>Census Tract Income Level</b>	<b>AA Owner Occupied Housing Units</b>	<b>HMDA Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$(000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	Low	1.7	1.4	0	0.0	0	0.0
	Moderate	13.2	10.2	1	2.3	2,010	3.8
	Middle	47.4	44.6	12	27.9	17,293	32.5
	Upper	37.7	43.8	30	69.8	33,944	63.7
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>43</b>	<b>100.0</b>	<b>53,247</b>	<b>100.0</b>

Source: 2012 HMDA LAR, 2012 HMDA Aggregate Data, and 2010 U.S. Census data

As shown in Table 52, the Bank did not extend any loans in the low-income census tracts and 2.3 percent (1 loan) of the Bank's total 2012 residential lending was in the moderate-income tracts. In both cases, the Bank's lending was less than aggregate and demographic data. As Table 52 indicates, the Bank did not have a significant presence in this market and 2012 market data

further supports this performance. This data shows that the Bank was ranked 224<sup>th</sup> with a market share of 0.01 percent within the moderate-income tracts.

## Borrower Distribution

Considering the Bank's limited presence in this market, the overall distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels. As Table 53 illustrates, the Bank did not extend any home mortgage loans to low-and moderate-income borrowers during 2012.

<b>Table 53 – Seattle-Bellevue-Everett, Washington MD (Washington AA)</b> <b>Home Mortgage Loans by Borrower Income Level</b>							
<b>Year</b>	<b>Income Classification</b>	<b>AA Families</b>	<b>HMDA Aggregate Lending</b>	<b>Bank Lending</b>		<b>Dollar Volume of Loans \$ (000s)</b>	
		<b>% of #</b>	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
2012	Low	20.0	5.6	0	0.0	0	0.0
	Moderate	16.9	14.7	0	0.0	0	0.0
	Middle	21.1	21.7	1	2.3	320	0.6
	Upper	42.0	46.8	34	79.1	36,920	69.3
	Income NA	0.0	11.2	8	18.6	16,007	30.1
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>43</b>	<b>100.0</b>	<b>53,247</b>	<b>100.0</b>

Source: 2012 HMDA LAR, 2012 HMDA Aggregate Data, and 2010 U.S. Census data

## Community Development Lending

Boston Private has an adequate level of community development loans in this AA. The Bank extended approximately \$7 million in this area. This represents 1.2 percent of all CD lending.

Some examples of CD lending in this AA include the following loans.

- A \$5.5 million term loan in 2013 to refinance a 100-unit affordable housing development for low-income households. The property is located in Seattle in a moderate-income census tract.
- A \$1.3 million term loan in 2013 to provide financing for a nonprofit that serves a low-income population of adults with developmental disabilities in Bothell. The loan supports the acquisition of a commercial property, allowing the organization to consolidate two leased office properties.
- A \$50,000 loan in 2012 to finance the operations of a nonprofit provider of shelter and permanent housing for homeless adult men in Bellevue and the Eastside.
- A \$50,000 loan in 2012 to finance the operations of a nonprofit provider of shelter for homeless adult women in Bellevue and the Eastside.

## Innovative and Flexible Lending Practices

During the evaluation period, the Bank made limited use of innovative and flexible lending practice to serve the credit needs of the Washington AA.

## INVESTMENT TEST

The Bank's performance under the Investment Test for this AA is below Boston Private's overall Investment Test performance. However, the Bank's performance in this AA was given little weight in the overall rating given the limited time in this market. Overall, the Bank has an adequate level of qualified community development investments and grants in the Washington AA, although rarely in a leadership position. Boston Private's qualified donations demonstrate an adequate responsiveness to the AA's credit and community development needs. The institution rarely uses innovative and/or complex investments to support community development initiatives. Within this AA, the Bank has no current or prior period qualified investments outstanding, but provided 25 donations totaling \$45,000 as illustrated in Table 54.

<i>Table 54 - Seattle-Bellevue-Everett, Washington MD (Washington AA)</i> <i>Qualified Investments and Donations</i>												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Neighborhood Stabilization Projects		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0	0	0
06/13/2011-12/31/2011	1	3	0	0	0	0	0	0	0	0	1	3
2012	10	19	10	17	3	4	0	0	0	0	23	40
2013	0	0	1	2	0	0	0	0	0	0	1	2
<b>Totals</b>	<b>11</b>	<b>22</b>	<b>11</b>	<b>19</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>45</b>

Some examples of qualified donations include the following:

**Imagine Housing:** The mission of Imagine Housing is to provide affordable housing and support job creation. The Bank donated \$7,500 in 2012.

**Washington Low-Income Housing Alliance (WLIHA):** WLIHA provides leadership advocacy for its members around the issues of ending homelessness and affordable housing for all. The Bank donated \$2,500 in 2012.

**Hopelink:** Hopelink supports low- and moderate-income families and provides social services to promote self-sufficiency. The Bank donated \$3,000 in 2012.



## **SERVICE TEST**

The Bank's performance under the Service Test for this AA is below Boston Private's overall Investment Test performance; however, this state's performance was given little weight in the overall rating. For the time the Bank operated in this AA, the products and services available throughout this AA were similar to those offered in the combined AA. The Bank's delivery systems were reasonably accessible to essentially all portions of this AA. Services and business hours in this AA did not vary in a way that inconvenienced certain portions of the AA. The Bank provided an adequate level of CD services. The following are the CD services provided.

- A Bank officer served as a group mentor for the Washington Community Alliance for Self Help (Cash) providing businesses advice and technical assistance to a group of low-income entrepreneurs learning to start their own businesses, including micro-lending. This loan officer is also a member of the Business Advisor Loan Committee discussing Cash's loan goals, loan portfolio, outstanding delinquencies, and new loan reviews for micro-lending program for new business entrepreneurs.
- A Bank officer was a member of the Citizens Advisory Board for the Regional Coalition for Housing (ARCH). ARCH was created in 1992 through an inter-local agreement of several suburban governments in Eastside King County to solve local housing issues, including the growing need for affordable housing.
- A Bank officer was a member of the Board of Directors of the Foss Home Foundation, a senior assisted-living center primarily serving low- and moderate-income seniors.
- A Bank officer was a member of the YWCA of Seattle, King, and Snohomish Counties Finance Committee. The YWCA provides affordable housing and supportive services for low-income individuals.
- Through its membership in the FHLBB, Boston Private sponsored 4 CDA grants totaling \$4.1 million which were used to finance 137 units of affordable housing.

## APPENDIX A

### SCOPE OF EXAMINATION

<b>Boston Private Bank &amp; Trust Company</b>		
<b>SCOPE OF EXAMINATION:</b> Examiners utilized Large Bank CRA performance procedures.		
<b>TIME PERIOD REVIEWED:</b> Examiners evaluated home mortgage loans originated by the Bank during 2012, 2013, and year-to-date 2014 and small business originations during 2012 and 2013. Additionally, examiners reviewed CD loans originated, qualified investments and donations made, and services provided from June 3, 2011 through October 14, 2014. The start date of the previous evaluation was June 14, 2011; therefore, activity included in the previous evaluation only considered activity up to that date. Although the previous evaluation was dated August 15, 2011, the actual evaluation was as of June 13, 2011.		
<b>PRODUCTS REVIEWED:</b> Examiners reviewed home purchase, refinances, and home improvement loans reported on the Bank's Home Mortgage Disclosure Loan Application Register. Examiners also evaluated small business loans based upon information collected and reported by the Bank.		
<b>LIST OF AFFILIATES AND PRODUCTS REVIEWED</b>		
<b>AFFILIATE(S):</b>	<b>AFFILIATE RELATIONSHIP:</b>	<b>PRODUCTS REVIEWED:</b>
BPB Financial Holdings, Inc.	Holding Company (HC)	None
Borel Private Bank & Trust Company, A Division of BPB Bank & Trust Company	HC Subsidiary (wholly-owned)	None
Anchor Russel Capital Advisors, LLC	HC Subsidiary (majority interest)	None
Anchor Capital Advisors, LLC	HC Subsidiary (majority interest)	None
Bingham, Osborn & Scarborough, LLC	HC Subsidiary (majority interest)	None
Davidson Trust Company	HC Subsidiary (majority interest)	None
KLS Professional Advisors Group, LLC	HC Subsidiary (majority interest)	None
Dalton, Greiner, Hartman, Maher & Co., LLC	HC Subsidiary (majority interest)	None

<b>LIST OF AA AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA:</b>	<b>TYPE OF EXAMINATION:</b>	<b>BRANCHES VISITED:</b>	<b>OTHER INFORMATION:</b>
Massachusetts AA	Full Scope	One	NA
San Francisco AA	Full Scope	None	NA
Southern California AA	Full Scope	None	NA
Washington AA	Full Scope	None	NA

## APPENDIX B

### SUMMARY OF STATE AND MULTISTATE METROPOLITAN AREA RATINGS

State or Multistate Metropolitan Area Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall State Rating
Massachusetts	High Satisfactory	Outstanding	Outstanding	Outstanding
California	Low Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
Washington	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

## APPENDIX C

### GLOSSARY

**Affordable Housing:** In general, housing for which the occupant pays no more than 30 percent of his income for gross housing costs, including utilities. Some jurisdictions may define affordable housing based on other, locally determined criteria; therefore, this definition serves solely as an approximate guideline or general rule of thumb.

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or census tract is located in an MSA; or the statewide non-metropolitan median family income, if a person or census tract is located outside an MSA.

**Assessment Area:** A geographic area delineated by the Bank in accordance with the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but may follow governmental unit boundaries and other non-visible features in some instances; they always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSA):** Two or more adjacent CBSAs that have substantial employment interchange. The CBSAs that combine to create a CSA retain separate identities within the larger CSA.

**Community Development:** For loans, investments, and services to qualify for consideration as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties located in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the Bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community development loan:** A loan that (1) has as its primary purpose community development; and (2) except in the case of a wholesale or limited purpose bank: (i) has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and (ii) benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

**Community development service:** A service that (1) has as its primary purpose community development; (2) is related to the provision of financial services; and (3) has not been considered in the evaluation of the bank's retail banking services under §345.24(d). **\*\*Added.**

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Areas (CBSAs):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**D&B:** A provider of business information in the United States and worldwide.

**Distressed middle-income nonmetropolitan geographies:** A nonmetropolitan middle-income census tract will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average; (2) a poverty rate of 20 percent or more; or, (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the five-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include

non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Adjusted Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** Performance under the applicable tests is analyzed considering performance context, quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one has incomes above the median and the other has incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area that has a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Non-metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Other Products:** Includes any unreported optional loan category for which the institution collects and maintains data for consideration during a CRA evaluation. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures, which are sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances; as a result, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments, which often give them partial ownership of those businesses, in the hope of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved middle-income nonmetropolitan geographies:** A nonmetropolitan middle-income census tract will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant



from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## APPENDIX D

### MINORITY APPLICATION FLOW

Boston Private's 2012 residential lending was compared to aggregate. This comparison assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the following table for information on Boston Private's minority application flow as well as a comparison to the aggregate lenders through the Bank's assessment area.

Minority Application Flow					
RACE	Bank 2012		2012 Aggregate Data	Bank 2013	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0
Asian	70	7.0	6.9	56	7.0
Black or African American	53	5.3	2.0	36	4.5
Hawaiian/Pacific Islander	2	0.2	0.1	2	0.3
2 or more Minority Races	0	0.0	0.0	1	0.1
Joint Race (White/Minority)	19	1.9	1.4	20	2.5
<b>Total Minority</b>	<b>144</b>	<b>14.4</b>	<b>10.5</b>	<b>115</b>	<b>14.4</b>
White	776	77.5	64.9	604	75.1
Race Not Available	81	8.1	24.6	85	10.6
<b>Total</b>	<b>1,001</b>	<b>100.0</b>	<b>100.0</b>	<b>804</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	60	6.0	2.0	55	6.8
Not Hispanic or Latino	843	84.2	72.6	642	79.9
Joint (Hisp/Lat /Not Hisp/Lat)	19	1.9	0.8	17	2.1
Ethnicity Not Available	79	7.9	24.6	90	11.2
<b>Total</b>	<b>1,001</b>	<b>100.0</b>	<b>100.0</b>	<b>804</b>	<b>100.0</b>

*Source: 2012 and 2013 HMDA LAR & 2012 HMDA Aggregate Data*

Boston Private's performance in 2012 is higher than the aggregate level with respect to home mortgage applications received from racial and ethnic minority applicants. The Bank received 22.3 percent of its applications from minorities, while the aggregate received 13.3 percent from minorities.

According to the 2010 U.S. Census, the assessment area had a population of 2,985,161, of which 30.1 percent was minority. The assessment area's minority and ethnic population is 10.1 percent Hispanic or Latino; 8.4 percent Black/African American; 8.4 percent Asian; 3.1 percent "other"; 1; and 0.1 percent American Indian. In 2012, the Bank received a total of 1,001 HMDA reportable loan applications within the assessment area. Of the 223 applications received from minority applicants, 81.1 percent resulted in originations, which is higher than the aggregate percentage for minority applicants at 60.4 percent.

## **APPENDIX E**

### **LOSS OF AFFORDABLE HOUSING**

The Division of Banks' regulation 209 CMR 46.22(2)(g) requires that the evaluation of the lending performance of a large institution include a review of its efforts to forestall the loss of affordable housing. The Division reviews the institution's loans to ensure that there is no undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units.

The Bank's development of credit products with flexible lending criteria, participation in flexible lending programs, lending to low- and moderate-income borrowers, and the restructuring and modification of residential real estate loans has assisted low- and moderate-income individuals to remain in their neighborhoods.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each AA;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 10 Post Office Square, Boston, Massachusetts 02109."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.